

U.S. Reassessing Need for Tactical Nuclear Weapons

By Walter Pincus

Washington Post Service

WASHINGTON — The Pentagon is reassessing its policy on tactical nuclear weapons, according to a review of the need for thousands of short-range, battlefield nuclear weapons that it has deployed or plans to build, according to top Defense Department officials.

The review reflects a realization that the older weapons would be difficult to use in wartime and that deploying the newer ones would create severe political problems.

The review comes as the North Atlantic Treaty Organization is seeking to reduce the approximately 6,000 U.S. nuclear weapons in Europe by at least 57,000 weapons in conjunction with deployment planned to start in December of that number of longer-range Pershing-2 and ground-launched cruise missiles.

There is also growing public criticism within the United States and Western Europe of short-range nuclear systems.

The immediate issues for Pentagon officials are whether the army will go ahead with more than 1,000 new, 155-mm neutron artillery shells or develop a nuclear warhead for a proposed new battlefield missile, air- and ground-launched, with a range of 150 to 250 miles (241 to 402 kilometers).

Also involved in the Pentagon review is how many of about 2,500 older U.S. nuclear artillery shells and more than 1,000 nuclear anti-aircraft and atomic demolition munitions with troops in Western Europe will be returned to the United States and dismantled.

An army spokesman said the service would not discuss battlefield weapons.

Last year, Congress turned down initial production money for the 155-mm shells, but \$63 million has been included in the fiscal 1984 Pentagon budget now on Capitol Hill.

According to government sources, some Pentagon officials are prepared to drop the request for the shells because of its multi-billion-dollar cost, of doubts that it can be deployed in Europe in the face of political opposition and its unavailability until at least 1986.

The change in attitude toward short-range nuclear weapons is illustrated in previously classified testimony by General Bernard W. Rogers, NATO commander and

former army chief of staff, before the Senate Armed Services Committee last year.

General Rogers said that NATO, far behind the Soviet Union in long-range nuclear missiles, already has "about a 3-to-1 advantage for theater nuclear weapons with a range less than 150 kilometers [93 miles]." That advantage is composed primarily of several thousand nuclear artillery shells, a type the Russians have not built in any numbers.

During the hearing, another army general described these older 8-inch and 155-mm shells, many of which are 20 years old, as having "inadequate ranges and inaccurate fuses." The 8-inch shell, he said, "requires time-consuming field assembly" and requires firing of a spotter shell before the nuclear round can be fired.

As to the newer, eight-inch neutron shell being built, General Rogers said: "I can get the same effects from the weapons we have now as I can get with the neutron weapon warhead. The only trouble is that it can't be used as close proximity to our own troops because of the blast and thermal damage of those that we have."

Asked to choose between new neutron shells or new chemical weapons, General Rogers responded: "It is more important to me to have the modern adequate chemical capability to retaliate than the neutron weapon."

The administration has asked Congress to approve production funds for a new generation of chemical shells and bombs.

That is a sharply different approach to neutron battlefield weapons, which fewer than six years ago were seen as the major weapon system to defend NATO troops against Soviet tanks. The army is now stressing a new approach against a Soviet invasion, with emphasis on hitting second-echelon enemy forces well behind the forward lines with conventional rather than nuclear weapons.

The NATO review is being conducted by a subcommittee chaired by Richard M. Peltz, an assistant defense secretary. It has reportedly produced "informal recommendations for nuclear withdrawal reductions to accompany deployment of the Pershing-2 and cruise missiles."

Those findings will be presented to the coming meeting in Lisbon of NATO's nuclear planning group.



MIAMI VIOLENCE — A looter hauled away cartons of alcoholic beverages taken from a gas station and carry-out store during a disturbance Sunday night in Miami's Liberty City section, the scene of past race riots. Street fighting broke out when police tried to close down a disco party held in a park. Two persons were hurt.

In France, a Warning for the Left After Elections, Socialists May Move Toward Center

By John Vinocur

New York Times Service

PARIS — After almost two years in power, French socialism is looking for its second wind, and the place where it seems to think it can regroup is at the center rather than further to the left.

Although not an irreparable defeat, the loss of 30 cities in the nationwide municipal elections has been publicly described by Socialist leaders as a warning, one that Lionel Jospin, the party's general secretary, interpreted as requiring government policy to become "more concrete and more coherent."

In the party's terms of reference, this vocabulary is the opposite of the one employed to accompany the Socialist Party's first year, when its economic choice was expansion through government spending and its domestic notions those of a vast new range of social benefits.

Its direction then was made up of

words like generosity, solidarity and change; now Mr. Jospin talks about the necessity of moving fast to stop the country's growing debt, its trade deficit and its reheated inflation.

To do those things involves considerations to reduce inflation and eliminate the deficit.

Aides at Elysée Palace have gone as far as telling reporters that failure to do so might turn France by the end of the year into an "IMF case," a welfare recipient requiring assistance from the International Monetary Fund to keep afloat.

The phrase has the sound of overstatement, but it is apparently being used in order to justify measures that cannot please much of the left wing of the Socialist Party or the Communists, the second government party.

The government moved economically toward the center last summer, instituting wage and price controls, but the steps now described as under consideration by sources close to the president would go in a sharply deflationary direction, cutting into the spending power of consumers and restraining some of the costly privileges of the civil service.

In order to cut the foreign trade deficit, the government is considering instituting strong mea-

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considerable public education because the government of President François Mitterrand avoided stressing the seriousness of the country's economic situation in the period leading up to the two rounds of local voting ending on Sunday.

The growth of the foreign trade deficit mirrors declining French industrial competitiveness, weakens the franc and increases the debt as money is spent on imports.

Mr. Mitterrand is expected not only to make this clear in the coming days but to assert that France's ability to remain an important industrial country in the next decade involves instituting strong mea-

OPEC Cuts Price \$5, Limits Output in Bid To Stop Price Slump

By Bob Haggerty

International Herald Tribune

LONDON — The Organization of Petroleum Exporting Countries announced a \$5 cut in the price of its benchmark crude oil Monday as part of an agreement that the group hopes will halt the decline in oil prices.

OPEC officials said that the overall agreement had the support of all 13 members but that Iran, which vowed last week never to accept a price cut, was reserving its approval on the pricing provisions.

Oil analysts disagree on whether the agreement to cut prices and fix production quotas will prove effective.

In the short term, some analysts say, it should give oil prices at least a small, psychological lift. Late Monday, crude prices firmed on the U.S. spot, or noncontract, market. West Texas intermediate crude rose about 60 cents, to about \$29.30, a spokesman for Platt's Oilgram said.

The longer-term effects depend on the health of the world economy and thus oil demand, on whether OPEC members adhere to the agreement, and on what pricing policies are pursued by major oil producers outside OPEC, notably Britain.

In any case, OPEC has shown that it can produce an agreement — however wobbly it may prove — when its revenue is dwindling and two of its members, Iran and Iraq, are at war. The agreement, whose

general outline has been clear for a week, appears to improve OPEC's chances to survive until the oil market swings back into the producers' favor.

A U.S. oil trader watching the week-old OPEC meeting dismissed as "unrealistic" the agreement to lower the price for OPEC's bench-

mark crude. Saudi light, to \$29 a barrel. He predicted that market forces would push the price down to about \$25 within a few months.

But David Johnson, an oil analyst at the British stockbrokerage Wood Mackenzie, said the agreement had a strong chance of bringing oil supply and demand into balance.

Under the agreement, prices for OPEC crudes are to be aligned around the \$29 price, with premiums or discounts depending on quality and transport costs.

The premium for light, high-quality crudes from Algeria and Libya, for instance, is to remain at \$1.50. In a "temporary exception," however, the agreement allows similar Nigerian crude to carry a premium of \$1. That provision is designed to give Nigeria, which is heavily indebted, an edge in selling its crudes, which compete with similar oil produced in the North Sea.

In an attempt to bolster prices, the agreement limits overall OPEC

production to 17.5 million barrels a day. OPEC's current output is estimated at 14 million barrels a day, but the worldwide drop in production over the past two months has been partly artificial because buyers have held back in anticipation of lower prices.

More important than the level of the production ceiling is whether the market expects OPEC members to respect it. A similar production limit approved by OPEC last March fell apart after a few months.

Acknowledging that failure, Sheikh Ahmed Zaki Yamani, the Saudi minister, said: "We have strong hopes and strong indications that everybody this time means business."

Saudi Arabia, whose output is OPEC's largest, will be the "swing" producer — in other words, the Saudi Arabians will bear the brunt of any decline in demand for OPEC oil or increase their output if overall demand exceeds 17.5 million barrels a day. The Saudi output is less than 3.5 million barrels a day, down from a peak of about 10 million.

OPEC members will be anxious to avoid the reaction of Britain, whose key North Sea crudes are tentatively priced at \$30.50, or 50 cents above the Nigerian level. Some traders maintain that the North Sea Brent and Forties crudes should cost 50 cents to \$1 less than Nigeria's Bonny light.

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Strauss Demands Post in Cabinet

Bavarian Cites His Party's Role

By Geoffrey Atkins

Reuters

BONN — Franz Josef Strauss, the conservative premier of Bavaria, declared Monday that he had the right to a cabinet post in the coalition government of Chancellor Helmut Kohl.

His statement came only a few hours before his Christian Social Union, the Bavarian wing of Mr. Kohl's Christian Democratic Party, was to open negotiations with the Christian Democrats on the formation of a cabinet following the March 6 general elections.

Party sources said that Mr. Strauss, 67, had no chance of achieving his primary goal of becoming foreign minister and deputy chancellor, taking the place of Hans-Dietrich Genscher.

Mr. Genscher is leader of the Free Democratic Party, the junior coalition partner of the Christian Democrats. The Free Democrats are to join the coalition talks Wednesday.

Other key ministries had, for a variety of reasons, appeared to be out of the reach of Mr. Strauss.

The Bavarian leader refused to specify what post he was referring to in his statement.

"It is the obvious and overwhelming conviction of the CSU that the chairman of the second largest coalition partner has a claim for participation and co-responsibility in the cabinet," Mr. Strauss said in the statement.

The CSU, whose chairman is Mr. Strauss, contributed 53 seats, an increase of one, to the 244-seat Christian Social Union-Christian Democratic alliance in the Bundestag, or lower house of parliament.

The Free Democrats lost 19 seats and will now have 34. The Social Democrats' representation in the 498-seat Bundestag was reduced from 218 to 193. The Green party got 27 in its first representation in the Bundestag.

A convincing Christian Democratic election victory Sunday in the state of Schleswig-Holstein appeared to have strengthened Mr.



Werner Vogel



Franz Josef Strauss

Kohl's hand in negotiations. Party sources expressed puzzlement over Mr. Strauss's late challenge in view of Sunday's development.

It was not immediately clear whether Mr. Strauss's bid for a post after a long silence was a genuine challenge to Mr. Kohl or was just a warning that the CSU must now have a greater role in the coalition than the liberal Free Democrats, who currently have four cabinet positions.

Mr. Kohl has made it clear that he prefers to continue with a right-center coalition, including Mr. Genscher as foreign minister.

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ANNIVERSARY — The Karl Marx monument in central Moscow near the Kremlin on the 100th anniversary of his death, March 14. Inscription on the base reads: "Proletarians of all countries, unite."

Brazilian City's Industrial Caldron Chokes Rivers, Trees and People

By Kenneth Freed

Los Angeles Times Service

CUBATÃO, Brazil — The descent into Cubatão is like entering Dante's Inferno or Milton's Paradise Lost. People who live here call it the "Valley of Death."

An hour south of São Paulo, Cubatão is one of Brazil's richest cities and South America's largest industrial park.

But it is a park where recreation has given way to death. The four rivers that course through the city of 85,000 people are dead. The trees and soil are lifeless and, in increasing numbers, infants are stillborn or dying.

What is endangering Cubatão is pollution. The last complete study, made five years ago, showed that on any given day the 22 giant petrochemical and steel plants here pumped into the air 875 tons of toxic gases, 473 tons of carbon monoxide and 182 tons of sulfur oxide.

Celso Orsini, a University of São Paulo physicist, contended that "Cubatão has become the worst pollution problem in Brazil and one of the worst in the world."

Yet there are government and industry officials who say that the situation has improved and continues to do so.

Nei Eduardo Serra, a spokesman for the Center of Industries for the State of São Paulo, an association of industries, said that there has been a 55 percent reduction of pollution since 1981, due in large part to a switch to relatively low-sulfur fuel oil.

In the last three years, he said, the industries have spent \$60 million to reduce pollution and are committed to a slightly lower level of spending in 1983 and 1984. He estimated that Cubatão will be rid of dangerous pollution within three years.

But independent scientists say that no complete data have been provided in recent years.

And Djalma Vieira dos Santos, a city councilman who also speaks for a group of residents who have banded in a community defense group, said: "The situation continues as grave as it always was." He said the amount of money spent on anti-pollution was less than 3 percent of the total income of the 22 plants.

Any improvement has been brought about as the result of a 30 percent decrease in production at the Cubatão plants because of poor economic conditions, he said.

Particularly worrisome are indications of birth defects that may have some link to the pollution, especially anencephalia, a condition in which children are born with only vestiges of the brain, and which usually leads to death. According to a recent study, 65 of every 1,000 children born in Cubatão die of anencephalia, a rate much higher than in the surrounding areas.

Industry spokesmen and doctors hired by the plants say that there is no proved link between industries and the high incidence of birth defects. They say that malnutrition and unsanitary conditions, which are common, can also cause birth defects.

Dr. Roque Monteleone Neto, a geneticist who is conducting the only systematic study of birth defects in Cubatão, said his preliminary findings "show that problems exist." Deaths from birth defects are more than double the normal rate, he said.

Some of these fatalities are caused by genetic factors, Dr. Monteleone said, but others are thought to be caused by the environment.

He said cancer, skin problems, respiratory ailments, impaired vision, heart conditions, advanced aging and general debilitation have all reached higher-than-normal levels.

Maria das Dores, 22, a resident of Cubatão, gave birth to triplets three years ago. One was normal, one died after six weeks and the third also apparently died, though Maria has never told me officially.

She said: "They would not let me see it, but my sister told me it didn't have any arms or a neck and only a mockery of a head and two tiny legs."

Mr. Serra pointed out that nearly all the factories were built in the 1950s, "before the existence of zoning regulations and environmental protection laws."

Mr. Vieira and others cited a recent zoning decree that prohibits people from living in Vila Paris, a particularly bad area in the center of Cubatão, because it is being transformed into an "industrial zone."

The 15,000 people who live there are being offered government-built housing on easy credit terms about a mile and a half (2½ kilometers) away. The people are not cooperating.

Mr. Serra said: "They don't believe they will be able to sell their property or that they will be able to afford the new houses. They think the industry should be made to clean up the pollution, that they should not have to move."

Escape or Death? A Russian Camping Trip Ends in Mystery

By Robert Gillette
Los Angeles Times Service

MOSCOW — When two young mathematics students from Moscow, Pavel Simanovich and Anton Avdayev, set out for the northern Kola Peninsula near Finland last July, they appeared to be bound for an ordinary, if adventurous, camping trip.

Eight months later, Mr. Avdayev is back in Moscow, in the KGB's Lefortovo prison, awaiting transfer to a labor camp. He was sentenced to a three-year term in late January for illegally crossing the Soviet border into Finland.

Mr. Simanovich has vanished. According to friends, he either perished in the wilderness or escaped to the West through Finland.

In recent weeks, the mystery surrounding Mr. Simanovich's disappearance and Mr. Avdayev's arrest and return has become an underground cause célèbre in Moscow.

Mr. Simanovich is from a Jewish family. Like thousands of other Soviet Jews, the Simanovichs had applied to emigrate and Soviet authorities had refused to let them go. Though technically they could re-apply every six months, the odds of winning permission to leave have grown slim in the past three years as the Kremlin has choked off emigration to a trickle.

Regarded as outcasts by a state that nevertheless refused to let them leave, the Simanovichs faced a bleak future — not least among them Pavel, whose prospects for a career in the Soviet Union were severely restricted by his having been refused emigration.

The moral rub, according to family friends, lies in the fact that if Pavel had succeeded in escaping to the West, he would have almost certainly eliminated whatever small chance his family had of emigrating. Under Soviet law, "flight abroad or refusal to return from abroad to the U.S.S.R." is classed as treason, along with spying and defecting to the enemy. The customary Soviet practice of the past half century — and the Kremlin's most effective deterrent to defection — is never to release the family members of those who escape.

The sister, niece and 78-year-old mother of the ballet dancer Rudolf Nureyev, for example, have tried without success to emigrate since Mr. Nureyev's defection during a tour of France in 1961.

If, on the other hand, Pavel Simanovich died on his camping trip, his family will still have a small chance of emigrating.

Friends of the two men, both 24, said the camping trip was Mr. Simanovich's idea. He urged several of his classmates at a Moscow teacher-training institute

to join him. In the end, they said, only Mr. Avdayev went along.

What happened after that is known only indirectly through Mr. Avdayev, whose acquaintances describe him as a studious ethnic Russian with a strong patriotic bent verging on nationalism.

For several days, the two hiked and camped along streams and lakes of the Karelian wilderness. Mr. Simanovich proved to be a weak hiker and kept falling behind. Mr. Avdayev, friends said, finally urged him to go first and set the pace. Mr. Simanovich did so and disappeared.

According to the story circulated by family friends, both young men misread notoriously inaccurate Soviet maps — precise topographic maps, especially of border areas, are generally not available to the public — and blundered into the Finnish border zone, where travel is forbidden without special passes.

Mr. Avdayev is said to have hiked for the better part of a day in search of his friend. At nightfall he camped and built a fire, and in the morning he was detained by Finnish border guards.

"He explained everything to the Finnish authorities and he asked to be sent home," one family acquaintance said. "He was — straight to prison."

His friends, many of whom were interrogated by

the KGB, maintain that Mr. Avdayev never expressed an interest in leaving the Soviet Union, and with his Russian nationalist tendencies would not have been expected to try.

The Soviet prosecutor, however, did not consider Mr. Avdayev's seemingly voluntary return as a mitigating factor in his guilt. At the end of a two-day trial in January, he received the maximum three-year sentence for illegally crossing the border.

Among the evidence reportedly produced against Mr. Avdayev at the trial was an invitation to a film-screening sponsored by the British Embassy in Moscow, taken by the court to be an indication of an interest in foreigners.

Mr. Avdayev's return to the Soviet Union touches on a delicate area of neutral Finland's relations with its giant neighbor. Under a bilateral agreement with Moscow, Finland repatriates hunters and other Soviet citizens who cross the border inadvertently — as well as some who cross in deliberate attempts to escape.

Finnish officials, while acknowledging the border agreement, note that Finland is also a party to the UN Convention on Refugees, which requires the government to consider requests for political asylum. A Finnish official in Moscow said that some requests are granted, although he said he did not know what proportion.

WORLD BRIEFS

Gdansk Rally Disperses Peacefully

WARSAW (AP) — More than 1,000 Solidarity supporters demonstrated Monday outside the Lenin shipyard in Gdansk, but witnesses reported that the protesters dispersed peacefully and that there were no major confrontations with police.

The witnesses said the crowd jeered at the police and marched about 300 yards (455 meters) along the street toward the railway station, singing patriotic songs before dispersing. On Sunday, police used rubber truncheons to break up a demonstration by about 1,000 protesters. Several protesters were detained.

Lech Walesa, the leader of the now disbanded Solidarity union, said that uniformed officers had stopped him from attending the Sunday demonstration, which was held to protest the trial of Anna Walentynowicz, a shipyard crane operator who helped form Solidarity. Mr. Walesa stayed away from Monday's demonstration; he told Western reporters that he feared "a provocation."

Palestinians Stone Israeli Cars

TEL AVIV (AP) — Palestinian youths threw rocks at Israeli cars Monday in the third week of anti-Israeli violence in the occupied West Bank. The military command said that the driver of an army car was slightly wounded by stones thrown at his car in Ramallah, six miles (9.6 kilometers) north of Jerusalem. Israeli radio reported that a young Jewish woman was hurt when rocks were thrown at an Israeli bus and several Israeli cars in East Jerusalem.

Several dummy bombs were discovered in the Hebron area Monday and security forces were quoted by the radio as saying they could have been planted by "local elements trying to heat up the situation." The radio also said that light arms fire was directed at the home of the former mayor of Doura, near Hebron, who has been ousted by the Israelis for non-cooperation.

Factions Continue Fight in Tripoli

BEIRUT (UPI) — Factional fighting reportedly continued Monday in the northern port of Tripoli and Druze Muslim gunmen surrounded an army barracks in the mountains east of Beirut.

The second day of street fighting in Tripoli pitted factions for and against the Syrian troops who control northern Lebanon. The Christian Phalangist radio said one person was killed and one wounded.

The Druze militiamen, besieging the barracks in Hamana, warned the Lebanese Army and police to keep off roads throughout the mountainous Chuf and Upper Metrin area, sources inside the presidential palace said. A meeting Sunday between Walid Jumblatt, leader of the Druze, and a former president, Camille Chamoun, current head of the Christian Lebanese Front, raised speculation in Beirut that Mr. Jumblatt was discussing his call for a new division of powers between the groups in Lebanon.

Sudan Says Libyan Arms Seized

KHARTOUM, Sudan (UPI) — Sudanese authorities have seized 70 tons of arms, ammunition and explosives that Libyan agents smuggled into the country for an attempted coup last month against President Gaafar Nimeiri, the Sudanese news agency reported.

The agency said Sunday that the Sudanese Navy intercepted a ship carrying weapons and explosives and arrested five crew members, including a Libyan agent who allegedly was directing the smuggling operation.

The agent, identified as Mohammed Soleiman, led Sudanese authorities to another arms cache hidden on an island in the Red Sea, which also was seized, the agency said. The report, quoting unidentified Sudanese intelligence sources, did not say when the smuggling operation was uncovered but said the arms were for an attempted coup against Mr. Nimeiri Feb. 18.

84 Captured by Angolan Rebels

LISBON (Reuters) — Angolan guerrillas said Monday that they had captured 64 Czechoslovaks and 20 Portuguese in an attack on an industrial complex. The insurgents offered to swap their prisoners to obtain the release of convicted British mercenaries imprisoned in Luanda.

In a communiqué issued in Lisbon, the guerrilla organization, UNITA (Union for the Total Independence of Angola), said that during the weekend its guerrillas killed 174 government troops and 13 Cubans in separate attacks.

UNITA said the Czechoslovaks and Portuguese were technicians captured Saturday during a three-hour battle at the Alto Camaleão complex in central Angola. A cellulose factory, three bridges and four generators at the hydroelectric plant were destroyed, it said. The six Britons and Irishman were sentenced to long terms in prison in 1976 for fighting with pro-Western forces in the Angolan civil war after independence from Portugal.

EC Agrees on Refund to Britain

BRUSSELS (AP) — The European Community agreed Monday to refund Britain \$850 million for its overpayments to the 1982 EC budget. No agreement was reached, however, on a permanent solution to complaints by Britain and West Germany about overpayments. They are the two countries in the 10-member Community that pay more than they receive from the Common Market budget.

France, which had raised technical objections to the British refund, finally lifted them, enabling Britain's foreign secretary, Francis Pym, to announce the agreement. "Refunds regulations have been amended," he told reporters, "which it makes it possible the payment will take place before March 31."

The European Parliament and the commission have made proposals for a permanent solution, but the debate has just started.

Greece Wants to Control U.S. Bases

LARISSA, Greece (UPI) — Prime Minister Andreas Papandriou said that Greece demands control over the use of U.S. military bases in Greek territory and in a new lease wants to establish a timetable for their shutdown.

"The bases serve only American interests, not Greek, not even those of NATO," the Socialist prime minister said Sunday during a rally in Larissa, 125 miles (200 kilometers) north of Athens. "We don't seek a confrontation with the Americans, but they must respect the sovereign rights of our people," he said.

The last meeting on the leasing arrangements for the four main U.S. bases in Greece, and several secondary stations, was held Thursday. The new date has been set for the talks, which have broken down four times since November 1981. The pact expired in 1978 and the government has threatened to shut the bases if no accord is reached.

Yugoslavia Asks Media Support

BELGRADE (UPI) — Yugoslavia's Communist Party does not intend to crack down on the news media as long as they support the existing one-party government, a top ranking official said Monday.

Speaking to a session of the 163-member Central Committee, Dusan Belovski, a member of the party presidium, urged a "bigger role of party members in editorial boards" of the news media. He added: "We categorically reject insinuations alleging that the League of Communists is in collusion with the press and wants to control it."

In the past two years, Yugoslav journalists have exercised an increasing freedom of expression, ranging from criticism of local communist officials to top-level Communist leaders and cabinet ministers for the country's economic woes. But in recent months, party officials have condemned journalists, most of them party members, for not following the party line and for giving a gloomy picture of the country's political and economic situation.

For the Record

JERUSALEM (AP) — Jeanne J. Kirkpatrick, the U.S. ambassador to the United Nations, said Monday after meeting with Israeli leaders that she saw "significant movement" toward settling the Lebanon conflict.

PARIS (Reuters) — U.S. and Angolan officials were holding talks in Paris Monday on the future of South-West Africa (Namibia) but no breakthrough was envisaged, diplomatic sources said. They said the meeting, which would probably continue Tuesday, was part of a routine series of contacts.

THE HAGUE (AP) — Prime Minister Ruud Lubbers of the Netherlands left Monday for a meeting in Washington with President Ronald Reagan that will be dominated by security issues, a government spokesman said. Mr. Lubbers is accompanied by Foreign Minister Hans van den Broek.

Israeli Goods Reach Arab Markets via Beirut

Saudis Bar Lebanese Imports in Bid to Enforce Boycott of Israel

By J. Michael Kennedy
Los Angeles Times Service

BEIRUT — A Saudi Arabian businessman, wandering through Beirut's commercial district the other day, stopped at a display window to look at a gaudy and costly lamp.

He wanted to buy the lamp and take it back to Jeddah, but then he thought better of the idea. "He was afraid his government wouldn't let him bring the lamp in because it would have been bought in Lebanon," said Khashim Nohsie, the shop owner. "This kind of thing could be very bad for the Lebanese."

Not long ago the Saudi government banned the importation from Lebanon of a long list of items, in

the belief that they might have been made in Israel. Israeli products are banned by most Arab states.

However, since the Israeli invasion of Lebanon last year and Israel's occupation of the southern half of the country, Israeli products have been streaming across the border into Lebanon.

Israeli fruits and vegetables are being sold by Lebanese on the streets of Beirut. Many of the vendors do not bother to remove the wrappers that say "Product of Israel."

Other, subtler, entrepreneurs are having Israeli goods repackaged in occupied southern Lebanon to disguise the country of origin. The goods are then trucked to Beirut

and either sold there or sent to countries throughout the Arab world.

The Saudis are trying to put an end to the practice and to enforce the strict boycott of Israeli goods.

An effective ban could have a disastrous effect on the Lebanese economy, already reeling as a result of last year's war and the previous eight years of strife. Lebanon is estimated to have exported goods valued at almost half a billion dollars in 1982; about three-fourths of the total went to Saudi Arabia.

The Saudis are also counting on the ban to persuade the Lebanese to stay in the Arab fold and to reject a normalization of relations with Israel. Arab leaders insist that

Israeli troops must be withdrawn from southern Lebanon and they reject the idea of the Lebanese establishing diplomatic relations with Israel. The Israelis say they want a peace treaty with Lebanon, which implies a diplomatic relationship.

"The Saudis are trying to put pressure on the Lebanese to make sure the Israelis get out," an economics expert here said.

The import ban is the second blow the Saudis have dealt the Lebanese since the fighting here stopped in September. The first was a decision to provide no reconstruction aid to Lebanon until all Israeli troops were withdrawn from the country. Given what is regarded here as Israel's bad-line position in the withdrawal talks, that time seems far off.

The Saudi ban on imports from Lebanon has prompted a flurry of activity in Beirut. Foreign Minister Elie Salem has taken up the question with the U.S. special envoy, Philip C. Habib, and other Lebanese officials are also trying to see what can be done.

So far, there has been little progress. Last week, the Lebanese Army said that it would enforce laws banning illegal imports, including Israeli goods, and close "illegal ports." It was not possible to tell how effective the crackdown would be.

Israelis have been marketing their products in Lebanon since shortly after their forces invaded the country on June 6. The Arab Report and Memo, a respected economics newsletter, has reported that the value of Israeli goods shipped into Lebanon in December was about \$20 million.



TRAVEL PHOTO — Prince Charles and Diana, Princess of Wales, were photographed with their son, Prince William, at Kensington Palace to mark their coming visit to Australia and New Zealand.

Rightist Move Imperils S. Africa's Racial Plan

New York Times Service

JOHANNESBURG — A far-right party has withdrawn from a key by-election in South Africa, creating a unified right-wing challenge to the ruling National Party that could endanger its plans to bring nonwhites into the national government.

The far-right Herstigte Nasionale Party decided Thursday not to run in the May 10 by-election in Soutpansburg, a conservative Pretoria constituency. The decision leaves South Africa's manpower minister, Stephanus P. Botha, facing a single challenger, Tom Langley, a member of Parliament from the Conservative Party.

The Conservatives, who broke away from the ruling National Party last year, are led by Andries P. Treurnicht, a former cabinet minister who is opposed to any moves toward a multiracial political system in South Africa. The manpower minister is regarded by the right as an advocate of wider opportunities for blacks.

The defeat of Mr. Botha, who is no relation to Prime Minister Pieter W. Botha, would provoke a crisis in the ruling party that could lead to a general election in South Africa.

A divided right would have stood no chance of beating Mr. Botha. Jaap Marais, the Herstigte Nasionale leader, has urged his followers to work for the Conservative Party, saying this will enable the Conservatives to defeat the minister.

"It is because we regard Mr. Botha to be such a big enemy, especially on the labor front, that we decided to make our own contribution toward defeating him," Mr. Marais said. "We are leaving the field open for the CP and hope thereby to help bring this government to a halt."

The manpower minister, who is leader of the House of Assembly and the most senior in rank of all the prime minister's cabinet colleagues, is regarded as an arch-enemy by the right because he has piloted labor changes through Parliament in the last few years.

Most recently, Mr. Botha incurred the wrath of the right by declaring that the government will allow the color bar in the mining industry to be removed. The Herstigte Nasionale Party has strong links with the white mine workers' union, which wants to maintain the color bar so whites will have a monopoly of skilled jobs.

OPEC Cuts Price \$5, Sets New Limit on Production

(Continued from Page 1)

Thus, Britain is likely to come under renewed pressure for price cuts. It was Britain's proposal last month for a \$3 cut that prompted Nigeria to slash its price to \$30 without awaiting OPEC approval.

Traders say that another British price cut could cause the new OPEC accord to unravel. Sheikh Yamani said that Britain had room to cut its price by 50 cents, but that a reduction of more than \$1.50 would start a price war.

Nigeria's chief delegate to the meeting, Mallam Yahya Dikko, was asked whether his country would again break ranks with OPEC should Britain lower its price. "I think we will cross that bridge when we come to it," he said.

Nigeria's insistence on keeping its price below that of Britain, along with Iran's opposition to an official price cut, helped prolong a tense meeting. Before the full sessions in London began, oil ministers from most OPEC countries had held preliminary huddles for nearly two weeks in London, Paris and Riyadh. The ministers were determined to reach some sort of accord, particularly since they had failed to come to terms at three previous sessions in the past nine months.

Venezuela's minister, Humberto Calderón Fitt, said Monday that prices for oil produced by Mexico, which is not an OPEC

member, would be reduced in line with Venezuela's prices.

The OPEC agreement is the latest response to an oversupply of oil that has depressed prices for the past two years and reduced OPEC's output to less than half its 1979 peak of about 31 million barrels a day. OPEC now accounts for just over a third of oil sold in non-communist countries.

The 23-year-old group has always bickered about pricing strategy, even when prices were soaring in the 1970s. The Saudi Arabians and their allies have argued that what they considered excessive prices eventually would cut demand by damaging the world economy and encouraging development of new sources of energy. Other members — notably Iran, Algeria and Libya — have accused the Saudi Arabians of acting in the interests of the Western industrialized nations.

At the end of 1980, the quarrel caused OPEC's formal pricing structure to collapse. The Saudi Arabians were using a benchmark of \$32, while others aligned their prices around \$36.

In 1981, the glut forced most OPEC members to begin reducing prices. In October 1981, all 13 members agreed to a compromise benchmark of \$34. That level persisted officially until Monday, but over the past year it has been undermined by widespread discounting.

Lebanese Official Contends Army Can Control Nation Without Aid

The Associated Press

WASHINGTON — Foreign Minister Elie Salem of Lebanon said Monday that Israeli forces that Lebanon cannot prevent terrorists from crossing its borders "are not justified" and Israel should get its troops out of its country without further delay.

Emerging from a meeting with Secretary of State George P. Shultz, Mr. Salem said "some progress" is being made in talks on the question of an Israeli pullout.

He rejected an assertion by the Israeli foreign minister, Yitzhak Shamir, that Israel should help bolster security in southern Lebanon for a period of years because the Lebanese Army is not strong enough. The Israelis, Syrians and Palestinians have forces in Lebanon.

"The Lebanese Army is capable now to control all the territory of Lebanon," he said. "We in Lebanon are anxious to have the Lebanese Army control all the Lebanese territory and for all non-Lebanese armies and forces to leave Lebanon."

The issue of protection for Israel after a troop withdrawal has become the major hurdle preventing a withdrawal agreement between the two nations.

Mr. Shamir hinted on a television interview show Monday that Israel wants U.S. backing for keeping some forces in Lebanon for two or three years.

"We are not willing to stay there, to have a permanent Israeli presence, but for a few years — two years, three years — we want to have some arrangements that we will cooperate — [Israelis and Lebanese] — that we will prevent the coming back of these terrorists," Mr. Shamir said.

Mr. Shultz met separately with both Mr. Salem and Mr. Shamir in an effort to break the deadlock in the 10-week-old troop withdrawal talks. Mr. Shamir also met with President Ronald Reagan. Afterward, he said the White House discussions had been "very good and friendly talks."

"The president expressed again

Electoral Warning for French Left May Cause a Shift Toward Center

(Continued from Page 1)

deficit, the choice for Mr. Mitterrand is between such structures of a strong protectionist stance, advocated by some of the Socialist Party's theorists furthest to the left.

If Mr. Mitterrand were to choose blatant protectionism he would lose in international standing and create practical problems in relations with West Germany, France's leading commercial partner and a strong free-trade proponent.

With conservative governments in power in West Germany, Britain and the United States, there seems little likelihood that Mr. Mitterrand would decide to buck them by reasserting the kind of doctrine of

One alternative put forward by Washington is to have an international force, possibly including Americans, assist Lebanon in protecting its border with Israel.

Mr. Salem said progress was made in the meetings with Mr. Shultz on both the security issue and on a second difficult issue of post-withdrawal relations between Israel and Lebanon.

Mr. Salem said a withdrawal agreement would be possible "very, very soon" because, he argued, Lebanon has "gone a long way" toward addressing Israel's demands.

public spending that led here last year to inflation and a loss of business confidence.

Rather, the circumstances, Mr. Mitterrand's friends have said, point toward a new government

team of experts and technicians that stands closer to the traditional center without describing itself as such.

Making the reorientation palatable to left-wing voters will involve all the skills of the president, whose popularity is larger than that of any other leader in France. The timing of a radical cure that responds to reality but does not endanger what the government asserts it has achieved in the area of social reform.

Mr. Mitterrand would be likely to restate that socialism in France has brought retirement at age 60, a 39-hour workweek, a fifth week of vacation per year and extensive new social security benefits.

For many members of his party, however, these reforms have pushed social costs to the limit, and perhaps beyond, what the French economy is capable of sustaining. In choosing more rigor, they feel, the president would be drawing a tacit line between what is described here as the socialism of euphoria and that of pragmatism.

The practical risks of such an approach are strikes and a situation in which the Communist Party would no longer find it useful to remain in the government.

A Communist departure from the coalition would intensify the possibility of labor problems, but a break appears unlikely since the Communists took proportionately greater losses than the Socialists in the municipal elections. Weakened at the local level, the Communists continue to appear interested in improving their reputations as administrators and democrats through participation in the government.

Seen in the perspective of a presidential term that runs until 1988, the municipal elections may have worked out to Mr. Mitterrand's relative advantage. Had the losses been more severe, the president would have had to maneuver from a position of diminished authority.

As they were, the results have created undue insecurity within his own party's ranks to allow him, if he chooses, to go ahead unchallenged with measures friends suggest he has been considering for months.

Radio Kabul said Sunday that Dr. Augoudard, 29, was jailed by a special revolutionary court on charges of spying, twice entering Afghanistan illegally and of helping the insurgents. Dr. Augoudard had been working for the Paris-based relief organization, Aide Médicale Internationale, which has said he was on a humanitarian medical mission.

ISLAMABAD, Pakistan — An avalanche buried an isolated mountain village in northern Pakistan, killing at least 84 persons and injuring 100, an official report said. At least 11 persons were missing and presumed dead in the disaster Friday in the village of Phupan, 350 miles (563 kilometers) northwest of Islamabad.

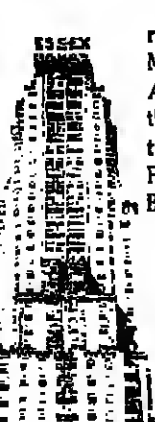
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U.S. Military Exercises Increasing

Reagan Orders More Maneuvers, Shows of Strength

By Michael Wright
New York Times Service

NEW YORK — It is a rare day when the U.S. military is not on the move somewhere in the world.

In South Korea, preparations were being made Monday for Team Spirit 83, a monthlong war game worthy of Hollywood. The cast includes nearly 70,000 U.S. military personnel, three dozen navy ships and 118,000 Republic of Korea troops.

Meanwhile, a force that is to grow to include 36 warships, including three aircraft carriers, began assembling last week in the Caribbean. British and Dutch frigates are to join in the three-week exercise, the most extensive held in the area in years.

In recent weeks, Central America has been a focus of U.S. military activity as well. The administration is considering increasing the number of uniformed advisers in El Salvador. And Pentagon officials disclosed Friday that an air force-operated radar station was to be established in Honduras to help track Nicaraguan gunrunners.

In early February, U.S. sailors, soldiers and airmen participated in weeklong maneuvers in Honduras. At times the action came within a dozen miles of the frontier with Nicaragua, which the administration regards as the Marxist scourge of the region.

Later in February, the mock battle shifted southward, with 9,000 U.S. troops and Panamanian National Guardsmen practicing how to defend the Panama Canal.

A primary purpose of the 60 or so maneuvers the United States conducts every year with foreign countries is training, Pentagon off-

icials say. A fighting force needs to practice fighting, to see how well its tanks and helicopters and rifles hold up under heavy use and abuse, they add.

But the exercises and more spontaneous displays of might also seem designed to demonstrate that Washington is both trustworthy and powerful.

"The military has always been a very important element of our foreign policy; that didn't start with Ronald Reagan," says Representative William S. Brodhead, senior Republican on the House Foreign Affairs Committee. "When you have a problem with a country like Libya, conventional diplomacy just doesn't work," said the Michigan legislator.

Washington's friends, however, do not always appreciate the trouble or risks taken on their behalf.

Last month, near the conclusion of Big Pine, the maneuvers held in Honduras, Honduran officers and leaders complained that the exercise had done little more than underscore their country's dependence on the United States.

And in 1981, after two navy F-14 fighters shot down two Libyan planes, several conservative, nominally pro-American Middle Eastern countries accused the administration of pursuing "cowboy diplomacy."

Similar criticisms are often heard in Washington. As Big Pine was starting, 75 congressmen sent a letter of protest to the White House.

"Big Pine was not a particularly wise way of bolstering our ties with the Hondurans," said Representative Michael D. Barnes, Democrat of Maryland. "The exercise had to have strengthened the hand of the Sandinist regime in Nicaragua."

There is nothing new, of course, about showing the flag. "It's one of the oldest forms of diplomacy," says Robert G. Neumann, a former ambassador to Afghanistan, Morocco and Saudi Arabia.

A post-Vietnam hull in such displays ended during the Carter administration, when the Soviet Union intervened in Afghanistan. Since Mr. Reagan became commander in chief, authorities say, the assertive uses of U.S. warships, fighter planes and infantrymen have accelerated.

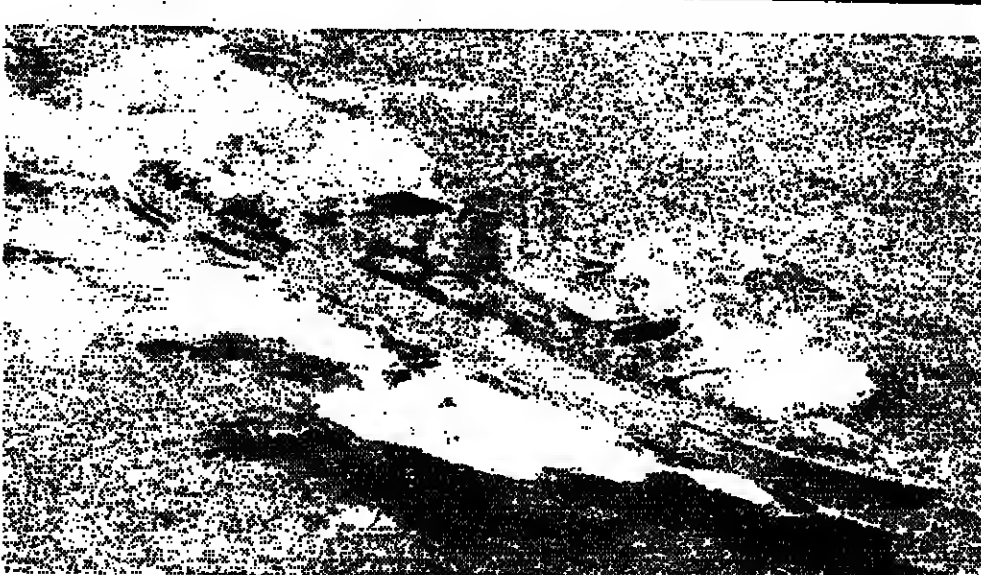
In addition to the overseas maneuvers, which sometimes take months to plan, observers have noted more than a dozen occasions when the Reagan administration has used the military to make a fast point.

A Special Forces unit was airlifted to Liberia in April 1981, for example, to help commemorate the first anniversary of President Samuel K. Doe's coup and to help keep his enemies at bay.

And last month, in response to what the Reagan administration said were Libya's designs on Sudan, the aircraft carrier Nimitz was dispatched to patrol the waters off North Africa and four electronic surveillance planes were hurriedly flown to Egypt.

The pace of American flag-showing seems unlikely to ease. For one thing, many analysts believe, the administration has given to building up the armed forces will probably increase the likelihood of the Pentagon being called into play.

"We're not going to spend all this money on the military and then keep it parked in the garage," a private military expert said.



A Soviet destroyer shadowed U.S. vessels gathering off South Korea for war games.

North Korea Criticizes U.S., Seoul

As They Begin Joint War Games

Reuters

TOKYO — North Korea bitterly denounced the United States and South Korea Monday, as a big U.S. and South Korean naval task force prepared for a mock invasion of the peninsula.

Articles carried by the Korean Central News Agency, monitored to Tokyo, described the South Korean president, Chun Doo Hwan, as an American puppet and accused the United States of being an imperialist aggressor occupying South Korea.

Meanwhile the combined fleet, including two U.S. aircraft carriers, prepared to put about 5,000 American and South Korean marines ashore near Pohang on the southeast coast of South Korea.

U.S. Navy sources said the maneuvers, called Team Spirit 83, had been postponed for a day until Tuesday because of heavy seas. They added that they were being observed by at least one Soviet warship.

The exercise is designed to show how the United States would respond in the event of war in the Korean peninsula.

North Korea has placed its forces on "semiwar" alert for the 10-week war games.

President Kim Il Sung of North Korea said Sunday that he had not attended the nonaligned conference in New Delhi, which has just ended, because of "the critical situation" created by the exercises.

China has also criticized the war games.

Military sources in Tokyo said more than 30 ships were assembled off Pohang, including the 75,500-ton, nuclear-powered carrier Enterprise and the 51,000-ton carrier Midway, normally based in Japan.

An amphibious force, including helicopter carriers and more than a dozen missile-armed cruisers and destroyers, were in the task force, they said. U.S. submarines, which usually travel with carriers, are also believed to be in the area.

Welch Quits as Head

Of John Birch Society

United Press International
LOS ANGELES — Robert Welch, the founder and president of the ultraconservative John Birch Society, has resigned after 25 years and become chairman emeritus of the anti-communist organization.

Herb Schurter, Orange County coordinator of the society, said Sunday that Mr. Welch, 83, will be succeeded as president by Thomas Hill, formerly the organization's executive secretary.

Spain Envisions Role in Peace Talks in Central America

By John Darnton

New York Times Service

MADRID — There are signs that Spain's Socialist government is interested in playing a role in bringing about peace talks in Central America.

The interest, officials say, can be detected between the lines of carefully worded official statements, in meetings with Latin American envoys and in articles in the Spanish press.

Mexico's foreign minister, Bernardo Sepulveda Amor, arrived Thursday for talks with Spanish officials. Cuba's foreign minister, Isidoro Malmierca Peoli, is expected this week.

El Pais, the respected Madrid daily, said recently that Mexico, Panama, Colombia and Venezuela were promoting a plan for a peace conference in the region and had asked the Spanish prime minister, Felipe Gonzalez, to intercede to get U.S. backing for it.

The article, which referred to a meeting held by the four nations in January, gave the impression that

the mood in favor of such a disarmament conference and for a Spanish role in it was building throughout Latin America.

In response to speculation, the government spokesman, Eduardo Sotillos, said recently that Mr. Gonzalez was ready to cooperate in a search for peace in Latin America provided that the initiative for talks came from the democracies there.

This official stance — that Spain is willing to intervene only if it is asked to do so — appears designed to take into account Latin American sensitivities over involvement by a European and "ex-colonial" country.

The Spanish government is going to great lengths to avoid the impression that it is trying to impose itself as a mediator in the region, even though some officials believe that linguistic and historic ties should give Madrid special leverage.

"It's not a question of mediation but of assistance," said Elena Flores, who heads the international

department of the Socialist Party. "Spain is willing to help but it depends on if they ask us and what they ask us to do."

Speaking as an official of the party, not the government, Mrs. Flores said she saw a "great perspective" for Spanish-Latin American cooperation that would avoid "the temptations of hegemony because of our limited resources."

The surge of interest in Latin America springs from several causes. One is the assertion of a special affinity for the Third World that accompanied the Socialists in their rise to power and formed a plank in their foreign policy platform in the October elections. It centers around the idea that Spain's peaceful transition from dictatorship to democracy could serve as a model for Latin America.

Some believe that Spain should be the champion of the Hispanic world. Luis Yanez, president of the Institute of Iberoamerican Cooperation, told a Senate panel recently that Spain should create a "pole of autonomous culture" for the Span-

ish-speaking community to fight off "cultural aggression" from North America and France.

Another is the idea, not often directly stated, that a leadership role in Latin America could enhance Spain's overall prestige and serve as a powerful bargaining chip in its still unsettled relationships with the rest of Europe and the United States.

Spain's top priority is to join the European Economic Community, overcoming the resistance of France, which fears that its own agricultural products will be undercut in price. The government appears unwilling to run the risk of a rupture with Washington by withdrawing from the North Atlantic Treaty Organization but is searching for a neutral role in the general conduct of foreign affairs.

A third reason for Spain's interest in Latin America lies in the personal predilections of its leader, Mr. Gonzalez. He has had a longstanding familiarity with the region and knows many of the leaders through his position as vice president of the Socialist International.

where he was in charge of Central American affairs.

Mr. Gonzalez has several times publicly advocated what he calls a "mini-Helsinki" conference on security and cooperation in Latin America that, like the 1975 conference in Europe, would bring together all of the countries.

Its goal would be to end hostility between Honduras and Nicaragua and the fighting in El Salvador and draw up agreements to curb arms imports and enhance overall security.

Unlike the conference recently proposed by Costa Rica, Honduras and El Salvador, the Spanish version would not exclude the United States. Madrid views U.S. participation as essential to the success of any major peace agreement.

Rebels Link El Salvador to Regional Struggle

By David Wood

Los Angeles Times Service

WASHINGTON — El Salvador's leftist guerrilla movement has declared, in a radio broadcast, that it sees its struggle against the U.S.-backed government as part of a wider regional conflict. The broadcast came remarkably close to Reagan administration views.

The clandestine broadcast of Radio Venceremos, the voice of the five insurgent organizations, declared Sunday that the guerrillas "are proud" of their ties to Cuba

Salvadorans Suspect

2 Journalists Slain

United Press International

SAN SALVADOR — Two unidentified foreigners believed to be journalists were killed Monday while traveling with Salvadoran guerrillas who clashed with troops, the army radio said. It said one of the dead was a German woman and the other was a foreign man but did not give his nationality.

Earlier, a Swedish diplomat said two Swedish freelance journalists, Jens Rydstrom and Tom Thulin, were released Sunday to the Red Cross after having been trapped for a month with fleeing guerrillas.

and Nicaragua. It added that the rebels view the struggle "in the framework of a regional conflict" in Central America, the Caribbean and Latin America.

The statement, transmitted from a secret location in neighboring Nicaragua, also boasted that the rebels have imported arms "through all routes that we could" and that "we have used all of Central America and other countries" for that purpose.

The broadcast appeared to support charges made by the Reagan administration that the insurgency is at least encouraged and armed, if not directed, by the Soviet Union, Cuba and Nicaragua and that it is aimed at toppling moderate governments throughout the region one after the other.

The State Department's Latin America analysts said they could not immediately explain why the guerrilla movement would announce, in effect, that it subscribes to the "domino theory" embraced by the White House. The analysts indicated that the guerrillas have not previously characterized the fighting as being of a regional nature.

The broadcast also appeared to undercut congressional and other critics of the administration policy

who have argued that the guerrillas seek only to establish social justice in El Salvador.

One such critic, Senator Gary Hart, a Colorado Democrat, said Sunday during a U.S. television interview that he is opposed to further U.S. military aid to El Salvador because "we are not going to achieve democracy out of the barrel of a gun."

Mr. Hart, who is seeking the Democratic presidential nomination, said he favors negotiations aimed at including guerrilla groups in the government before national elections, an approach the Reagan administration has rejected.

Defense Secretary Caspar W. Weinberger, also interviewed on U.S. television, said Sunday that the Soviet Union is seeking to "establish a Communist regime in El Salvador, on the mainland, working its way closer to the United States."

"Their purpose," Mr. Weinberger said, "is to attack the United States in this way from the south, knowing that as they get closer we'd be under strong pressures to pull ourselves out of Europe and out of Japan and Korea and establish some sort of fortress America, which would serve Soviet purposes very well."

Mr. Reagan put it more succinctly in a speech March 5: "We believe that the government of El Salvador is on the front line in a battle that is really aimed at the very heart of the Western Hemisphere — and eventually at us."

Radio Venceremos is the voice of the Farabundo Marti National Liberation Front, an organization of five Marxist guerrilla groups.

The political arm of the opposition to the government, the Democratic Revolutionary Front, is believed by many analysts to be a less hard-line organization. Officials of the revolutionary front, headquartered in Mexico City, could not be reached for comment.

Both groups have demanded negotiations for a "comprehensive political settlement" before they will participate in elections.

Although the Reagan administration has indicated it would not insist on a cease-fire as a precondition for such a dialogue, Mr. Reagan has refused to "short-circuit the democratic process and carve up power behind people's backs."

Bomb Explodes in Bern

The Associated Press

BERN — A pipe bomb exploded Monday outside Bern City Hall, in the heart of Switzerland's capital, injuring one man and causing little damage, the authorities said. No one claimed responsibility for the pre-dawn bombing, which shattered windows and damaged the front door of the 15th century building, the authorities said.

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More Given to U.S. Charities,

But Federal Cutback Is Noted

New York Times Service

NEW YORK — To the midst of a severe recession, individuals, companies and foundations in the United States gave nearly \$60 billion to charity last year, more than ever before.

But despite the generous giving, the rate of increase slowed, just as it did in the downturn in the mid-1970s, according to the American Association of Fund-Raising Councils, a leading authority on philanthropic trends.

President Ronald Reagan has urged Americans to give more to meet community needs at a time when he is seeking to curtail federal spending on many social programs and reduce the role of government. He reiterated that policy March 3 in a speech in Los Angeles, declaring that private initiative was "America's most precious resource."

But no prospect was seen by the association that private contributions could make up for the reduction in federal financial support for the country's 300,000 nonprofit organizations active in education, health, social welfare and the arts.

The association found evidence that giving to arts and humanities organizations and to civic and public affairs groups was tempered because of a shift toward human needs. Moreover, it noted that the total of giving to the arts had been raised by a gift by J. Paul Getty of \$1.3 billion to the museum bearing his name.

The association of fund-raising councils gave a tentative breakdown of gifts by category: Religious organizations in 1982 received \$2.1 billion; education \$8.49 billion; health and hospitals \$8.3 billion; and social services \$6.2 billion — a gain of 10 percent civic and public organizations, \$1.37 billion; and foreign aid \$2.5 billion. The arts and humanities organizations received \$4.86 billion.

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The Squeaky U.S. Gates

It has become a persistent pattern for the State Department to bar U.S. doors to guests with unwanted political affiliations. The latest instance is especially offensive. A visa has been denied to Mrs. Salvador Allende, widow of the Chilean president who was slain in 1973. The contention is that her making a speech in San Francisco would be "prejudicial to United States interests."

That is not just nonsense but sinister nonsense. The department concedes that the 66-year-old Mrs. Allende's appearance would not disturb public order. Her exclusion is justified solely by her membership in the allegedly pro-communist World Peace Council and motivated by a desire to shut out her unbecomingly unimpressive Chile.

The larger scandal is that such exclusions have become habitual. Last December, two Cuban scholars were denied permission to attend a meeting of the American Philosophical Association. Other Cubans were denied entry to speak at panel discussions in New York and Washington. With impartial zeal, the State Department's excluders have also denied visas to two Northern Ireland figures, the Protestant bard-liner Ian Paisley and, in the other

corner, Owen Carron, who was elected to the British Parliament with support from the Irish Republican Army.

In the same spirit, 315 foreigners were blocked from attending a United Nations disarmament debate last June. The government maintained that the applicants, mostly from Japan, belonged to leftist groups proscribed by the McCarran-Walter Immigration Act. But in the past, thousands of waivers were granted in similar cases.

In London a year ago, and in Orlando, Florida, just the other night, President Ronald Reagan talked at length about the blessings of liberty and the immorality of communism. Evidently, that confidence is only for the export trade. But if confidence cannot guide policy, what about the legal commitment to agree, what like the Helsinki Final Act, whose violation by communists is a staple of State Department rhetoric around the world? The accord commits all signers "to seek, receive and impart information and ideas through any media and regardless of frontiers."

Good words, those, for lubricating American gates.

—THE NEW YORK TIMES.

A Pall Over Zimbabwe

Perhaps no country could have borne the burden placed on Zimbabwe when it came to independence three years ago. It was widely seen then as the place in Africa where an elected black majority government would rule democratically, make a fair place for the white minority as well as for its black rivals, conserve and develop efficiently the country's great resources and play a constructive role in regional affairs. The Carter and Reagan administrations in turn lavished good will and aid on Zimbabwe, expecting and gaining very little direct recompense, in order to help the country and to identify the United States with a presumptive showpiece of change.

It is quite wrong now to say that all the hopes placed in Zimbabwe, and in the leadership of Prime Minister Robert Mugabe, have washed out. Mr. Mugabe's commitment to national reconstruction and development has heartened a good many observers. He cannot be blamed for the ways in which world recession has aggravated home-grown economic strains or for the costs imposed by South Africa's unprovoked hostility and meanness, in pulling out its locomotives, for instance. In recent

months, however, a tendency has deepened that has cast a pall over Mr. Mugabe, and over the future of Zimbabwe. Mr. Mugabe has pursued personal, political and tribal differences with Joshua Nkomo, his colleague in the drive for independence and his rival for national leadership before and since, to the point where Zimbabwe may now stand not far from the brink of serious long-term unrest. The facts are not all in, and no doubt Mr. Nkomo and his troops have a large share of the responsibility for the unraveling. But what is evident at the moment is that the Zimbabwean Army, made up mainly of men from Mr. Mugabe's Shona majority, has been sweeping through the areas where members of Mr. Nkomo's Ndebele minority live, ostensibly looking for armed deserters and dissidents, and killing villagers in large numbers. The other day Mr. Nkomo fled the country, and the question now is just how bad the military action may turn and whether Zimbabwe's commitment to democracy and its wholeness as a nation — admittedly a nation under great strain — will survive.

—THE WASHINGTON POST.

Other Opinion

The Vote in France...

Has the left become intolerable after almost two years in power? No, said the voters in the second round of municipal elections, though in the first round they had expressed real dissatisfaction. They have not renounced the political change of 1981, but they do expect better things.

The left lost fewer large cities than it had feared following the March 6 vote, but the simple warning given that day cannot be ignored. Leaders on the left recognize this and promise they will respond accordingly.

—Le Monde (Paris).

...and in Schleswig-Holstein

The [Christian Democrats] scored a brilliant victory in a state which, with 12.6 percent unemployed, is in fourth place in the West German recession rankings. It was hoped, again, that guided the hand of the voter. He decided overwhelmingly in favor of what he considered the greater competence.

—Die Welt (Hamburg).

Of God and Reagan

When a politician claims that God favors his programs, alarm bells should ring. That is what Ronald Reagan has done. Speaking to the National Association of Evangelicals in Orlando, Florida, he said that belief in God should make Americans join him in opposing a nuclear freeze and pressing a vast buildup in U.S. weapons.

"There is sin and evil in the world," the president said, "and we are enjoined by Scripture and the Lord Jesus to oppose it with all our might." Soviet Communism is "the focus of evil in the modern world," he said, and those who favor a mutual freeze on new nuclear weapons ignore "the aggressive instincts of an evil empire."

If there is anything that should be illegitimate in the American system, it is such use of sectarian religiosity to sell a political program. And this was done not by some fringe figure, but by the president of the United States.

What is the world to think when the greatest of powers is led by a man who applies to the most difficult human problem a simplistic theology — one rejected by most theologians?

Any president is entitled to give uplifting talks about moral or spiritual questions. But Mr. Reagan was doing something very different. He was purporting to apply religious concepts to the contentious technical particulars of arms programs. Can the concept of good and evil determine whether 10,000 nuclear warheads are enough? Whether a nuclear freeze is likely to make the world more or less safe?

What must the leaders of Western Europe think? They look to the head of the alliance for rhetoric that can persuade them and their constituents. What they get from Ronald Reagan is a mirror image of crude Soviet rhetoric. What must Soviet leaders think? What confidence can they have in the restraint of an American leader with such an outlook?

—Anthony Lewis in The New York Times.

No Excuse on Arms

A month has passed since Vice President George Bush returned to the United States to report to the president on the attitudes of European governments toward the deployment of nuclear missiles in Europe.

At his last stop, in London, he confirmed that the United States was willing to move on from its "zero option" proposal to the Soviet Union at the Geneva disarmament talks. He talked of three principles governing any compromise: The number of such missiles must be at the lowest possible level; they should provide equal forces for the United States and Soviet Union; and any such agreement must be verifiable.

Since then there has been no fresh initiative embodying these principles from the United States, and the Geneva talks have remained in limbo. This was an understandable state of affairs as long as the uncertainty over the outcome of the German general election persisted. Any fresh offer advanced by the United States would have been undermined in Russian eyes by the possibility that America's most important European ally would not accept the installation of new U.S. missiles.

With Helmut Kohl's victory for the conservatives in West Germany, that possibility has been greatly diminished. This has significantly reduced a reason for U.S. inactivity in the talks, and it has removed the excuse.

—The Financial Times (London).

Judging the Reagan Recovery: The Joless Vote Too

By Robert J. Samuelson

WASHINGTON — During the recession, the Du Pont Co. overhauled its \$3-billion plastics business. It cut the work force about 10 percent, closed down some operations and improved the chemical processing in others. The result was enhanced efficiency.

Ponder the Du Pont story as you wonder about the economic recovery. The evidence that it has arrived is compelling. Housing starts jumped 36 percent in January, durable goods orders rose 4.5 percent and earnings increased 1.6 percent after inflation. Now, forecasts about the recovery's strength and length are flying fast and furious.

Take them with a boulder of salt. Over the past three years, forecasters have achieved the accuracy of Chinese fortune cookies. Nothing suggests quick improvement.

The Du Pont story is relevant, for it is not an isolated incident. Suffering from squeezed profits, or huge losses, many firms have moved dramatically to streamline operations. Now, rising demand will improve productivity and profits significantly, but employment only modestly. Nor is that all. Some of the recovery's energy will leak abroad. Higher domestic demand will increase imports and the overseas employment of multinational firms, which locate production where costs are lowest. State and local governments, a main source of past employment growth, are struggling to cut payrolls.

All this suggests that recovery is relative. Just as the slump did not affect most Americans, recovery's onset will not provide instant relief for many of the victims. Inflation may be lower

than is commonly forecast, but unemployment could be worse. Austerity's aftershocks linger.

The political implications of this are tantalizingly ambiguous. From the outset, the Reagan administration has assumed that high inflation bothered more people than did high unemployment. Therefore, squelching inflation, even at the cost of rising unemployment, would pay rich political dividends.

This implicit calculus was obscured by the administration's initial — and wholly unrealistic — assumption of both declining unemployment and inflation. (Unemployment was to drop below 6 percent in 1983.) The strategy has suffered further because the steeper-than-expected rise in joblessness robbed the administration of a crucial asset: the popular perception that it controls the economy.

High joblessness is now an unavoidable Republican liability in 1984. To reduce unemployment, the economy needs to grow faster than its underlying potential. At that rate of growth, it absorbs only the normal increase in the labor force. How much faster does it have to grow? In the 1960s, the economist Arthur M. Okun estimated roughly that an extra percentage point of growth reduces unemployment by 0.3 percentage points. That may have risen to 0.4.

The economy's long-term growth potential is now reckoned at about 3 percent. With low factory use and high unemployment, growth is widely projected at slightly more than 4 percent for the next few years. Even if that proves low,

Mr. Okun's arithmetic implies a civilian unemployment rate that easily would exceed 9 percent in 1984 (it was 10.4 percent last month). But even this may be too optimistic.

At Du Pont and countless other firms, operations were reorganized to reduce overhead. Because profits declined sharply in the recession (down 30 percent without adjusting for inflation), firms are not eager to employ new workers. A recent survey of 600 major companies by the consulting firm of William M. Mercer found that 45 percent expected their work forces to remain unchanged in 1983, 21 percent planned increases and 26 percent expected cuts averaging 5 percent.

Less noticed is what is happening in state and local governments, which generated one of every five new jobs from 1950 to 1980. Schools, colleges, social services and police forces all expanded. Now these governments are retrenching. In 1981 and 1982, their employment dropped for the first time since 1951.

The decline reflects more than sliding school-age populations. John Shannon of the Advisory Commission on Intergovernmental Relations attributes the shift to the recession, tax revolt and reduced federal aid. Since 1978, per capita federal aid (adjusted for inflation) has dropped nearly 25 percent.

The converse of all this may be lower inflation. Chase Econometrics and Data Resources predicts price increases of roughly 4.5 percent in 1983, rising toward 6 percent in 1985. These

follow the normal pattern of rising wages and prices during a recovery.

But the projections may overstate the recession's continuing ripple effects. Dropping oil prices are but one symptom. The forecasts, for example, predict only modest productivity gains. Likewise, they assume that inflation's slowdown will not inspire much of a further drop in wage increases.

No one can really predict the recovery's strength or length. Huge uncertainties — oil, international debt, massive government deficits — frustrate prophecy.

They also limit government. The lesson of the past two decades is that well-intentioned policies often have unintended effects. Even a quick drop in interest rates, assuming the Fed could achieve it, is not likely to stimulate a spending boom of the sort that would help businesses with excess capacity.

The Reagan recovery reflects the recession and the preceding boom. The American economy is readjusting. Businesses have closed operations. But the highest employment is staggering.

The only certainty is that recovery will last, will dominate the next two years. It will be a test of the nation's political and economic leadership. Under the Reagan political gamble.

National Journal

Is Troubled Yugoslavia A Poland in the Works?

By Leopold Under

BRUSSELS — Nicholas I, czar of all the Russias 140 years ago, brushed aside the Balkans with an effective epithet: the sick man of Europe.

Now, three years after Tito's death, and in the midst of the most severe economic crisis since the end of World War II, Nicholas's heirs could be tempted to apply that phrase to Yugoslavia. That may be a bit premature.

Yet, for the first time since the war, rationing has been introduced in Yugoslavia for cooking oil and coffee — and this is only the visible part of a serious problem. Inflation is at 40 percent and unemployment affects 12 percent of the active population.

The economy suffers all the characteristic ills of a communist system: Five percent of the active population was absent from the job on any given day last year, while those present were actually working only 40 percent of the time. Productivity in some sectors is no more than half the rates attained in the West. The nation's foreign debt is at \$19 billion — greater than Poland's when measured on a per capita basis.

Does Yugoslavia's economic crisis threaten the sort of political crisis that Poland has gone through?

The government shrugs off the question, but the similarities are there. Although it is very different from the Soviet model, the Yugoslav socialist system remains typical of East European regimes: There is only one political party; the army and the police have a major role; a bureaucracy headed by aging leaders rules the state; and consumer goods have become scarce.

The average real income in Yugoslavia this year will be perhaps 25 percent lower than in 1979. It was far much less that a strike broke out in Gdansk in August 1980.

In addition, aspects of the Yugoslav system that had worked to incite progress have been transformed during the economic crisis into factors of regression. Worker self-management and decentralization have become egoism and chauvinism. In Yugoslavia

this notion is dangerous, because in the Balkans dissension and anger are closely linked to nationalism and separatism.

Manifestations of nationalism can be seen throughout the country: brawls between Serb and Croatian youths, disputes among the dominant religions (Roman Catholic, Moslem, and Serbian and Macedonian Orthodox), and ideological confusion.

There are other examples. A nationalist play was withdrawn from the stage in ethnically mixed Novi Sad, the chief city of Vojvodina province, which has a 20-percent Hungarian minority; the book "The Real and the Possible," by Dobrica Cosic, was forbidden last year, apparently because of a reference to nationalism in Kosovo province.

In Kosovo, which is inhabited largely by ethnic Albanians, the situation is serious. Two years after nationalist riots in which several people were killed, unrest continues. Since April 1981, about 400 Yugoslav Albanians have been sentenced to jail terms of up to 15 years, and 2,000 have received terms of less than a year. Last month, 23 ethnic Albanians were sentenced to up to 15 years in jail by a court in Pristina, the provincial capital.

Although it may be impatience to some to help out a troubled communist nation, the West can gain nothing from a worsening of the crisis in Yugoslavia, which after all, is not an ordinary communist country. Yugoslavia must be helped — reasonably and with firm, but acceptable conditions — to find the economic means to improve its situation and thereby control the internal tensions.

The United States has taken the initiative of organizing an international assistance program of more than \$4.5 billion to help Yugoslavia; and it has had the good political sense to place the program under the control of the Swiss and the International Monetary Fund.

It is an important program, and it may be the price to pay for the independence of Yugoslavia.

International Herald Tribune

The Missile Battle Has Just Begun

By Christoph Bertram

HAMBURG — In the recent German election campaign, the Social Democrats argued against the deployment of new nuclear missiles, and they suffered a major defeat. Their rivals, the Christian Democrats, argued for economic recovery, and they won a remarkable victory. The government of Chancellor Helmut Kohl now enjoys a clear and stable majority in the West German parliament.

Yet those who would like to interpret the result as proof that the nuclear concerns in Germany have subsided and that there is now overwhelming support for NATO's decision to deploy new medium-range missiles, are guilty of wishful thinking. All that the election outcome has shown is that more people are worried about the economy than about nuclear war. The nuclear issue is still capable of uniting a majority of West Germans against the missile deployment scheduled for late 1983.

In the coming months, the nuclear controversy will flare up again. It will be fueled not only by the general malaise but also by political action. The peace movement has already announced that it will take the matter to the streets, and it will be supported by the new Green party and the left wing of the Social Democrats. The Soviet Union, no doubt, will do its utmost, through well-publicized peace initiatives, to stimulate public fears. Massive popular demonstrations at the proposed missile sites can be expected, and violent clashes cannot be ruled out.

If the opponents of the NATO programs succeed, the political consequences will be profound. The prospects for arms control in Geneva will become bleak. Alliance relations across the Atlantic will be seriously strained. The Soviet Union will have obtained a de facto veto over European nuclear programs for the rest of the decade.

Bonn and Washington cannot rest on the laurels of Helmut Kohl's electoral success. Leaders in both capitals will have to do their share in rebuilding majority support for the missile deployment in case the Geneva negotiations should fail.

The German government will have to make a major political effort to regain the initiative in the public debate. For too long, West Germany's political leaders, who were after all instrumental in the NATO decision, have allowed the missile issue to be dominated by those who oppose it.

As a result, the supporters of the NATO program have been on the defensive, and public opinion has become progressively sympathetic to the anti-missile arguments. To reverse this trend, the German political leaders must now try to shape the debate. That can be done through a series of major statements that support their claim that, in the absence of a compromise in Geneva, the stationing of the new missiles will be necessary for Western security.

But Washington, too, will have to move. The Reagan administration needs to convince the German public that an eventual failure at the negotiating table cannot be attributed to American rigidity; it must show that it is willing to probe all possibilities for a reasonable agreement. And this must be shown soon. The current round of talks at Geneva will start March 28; the next round will start

only in June. If no new initiative is taken before the break, this will mean a period of more than two months when Soviet propaganda can make its impact while the United States will look like it is dragging its feet.

There are many in Washington who argue that the United States should sit tight, move ahead with the preparation for the missile deployment, and push the Soviet Union toward concessions. Under present circumstances this is the wrong advice.

In these negotiations, negotiating credibility and deployment credibility are mutually dependent. So it is true that only if the United States can impress upon the Russians that the new missiles will be deployed, can there be a sensible result in Geneva. But to do so, Washington must be sure that it enjoys the support of European public opinion.

The writer is political editor of the West German weekly Die Zeit. He contributed this article to The Washington Post.

From the Nonaligned, Still a Double Standard

By Flora Lewis

NEW DELHI — Of course, there is still a double standard. For some, it stems from ideology. But all the huffing and puffing at the non-aligned conference here over how to phrase the verbose declaration makes it clear enough why others go along.

It is a sense of helplessness. Words from the bulk of their arsenal in the struggle to fill independence with more than mere self-congratulation.

Some of the countries are heavily armed for their size, and some, oil exporters, have known sudden national wealth. But the weapons only prey on weaker neighbors and the money is drying up. That could have been foreseen, but, in the exaltation of the moment, it was not. Now it is easier to blame disappointment on others than to admit a lack of prudence.

Sheikh Jaber al-Sabah of Kuwait said that industrial countries have launched a price war to squeeze down the income of exporters. Others, with more reason, blame "scorched" interest rates for driving them to bankruptcy. Nicaragua and Grenada, backed by Cuba, called for a debtors' strike to frighten Western banks. They lost that one because too many know that creditors set the terms for loans, not desperate borrowers.

For all the high-sounding words about solidarity and the Third World's superior concern for global peace and welfare, there is a narrow-eyed national self-interest here at least as dominant as among powerful states, and sometimes more so.

Though they have nothing in common with Cuba's view of the world, Argentina, Bolivia and Belize helped Havana tar and feather the United States in return for endorsement of their pet projects.

This was expert log-rolling, abetted by Cuba's neat use of another parliamentary trick: keeping meetings going day and night without a break, to exhaust less adamant opposition.

But they were all just words, and nobody supposed they would settle anything. In a way, that was an advance because it was a reminder that

leaving off steam does not drive any engines. Prime Minister Indira Gandhi, chairing the meeting and trying to maneuver the quarrelsome leaders from the strident "spirit of Havana" toward a calmer spirit, called for a "more realistic and practical orientation" to make solutions possible.

There is a nostalgia, somewhat mythical as usual, for the time of creation when nonalignment was supposed to mean steering a course between East and West and drawing strength from unity. Now, there are valid fears that factions within the nonaligned movement serve to

spread superpower rivalry and increase tensions.

Even if "alignment" is reduced to meaning only formal membership in an alliance with the United States or the Soviet Union, thus excluding Cuba and Vietnam, for example, the presence of Portugal, a member of the North Atlantic Treaty Organization, and Romania, a Warsaw Pact member, shows how thin the notion of distance from the Cold War has become.

Hot war was another, painful, war for the nonaligned. Iran versus Iraq is the most glaring case. Despite earnest efforts, the best the New Del-

hi conference could do was to issue statements such as the one by Forbes Burnham of Guyana congratulating the "movement" on declarations "which, if fully complied with, will further eliminate conflicts."

The nature of the membership still makes it easy enough for the group to come down hard and unanimously on some controversial issue, mainly against Israel and South Africa, and for Namibian independence. Israel is a special case, but the sham of the last shows how much has changed since colonial rule was a real power.

In the land of Mahatma Gandhi, that thought does refresh faith in the power of words.

The New York Times

LETTERS TO THE EDITOR

Smugness Fades

Regarding "Kohl Presents His Chir" (IHT, March 9):

This New York Times editorial was a sad commentary on the state of political thought in the United States. Living abroad and being exposed to a continuous and thorough dialogue, my American smugness is continually being chipped away. Labeling Canadian films about acid rain and nuclear war as propaganda; allowing wrangling to be resumed by the FBI with advocacy as a yardstick; what are we afraid of? Ideas? Thought? Certainly we are strong and healthy enough to defeat thought with thought, words with words.

The New York Times is able to see the Russians making the West German elections into a "crude choice between East and West." But just George Bush's recent tour of Europe and the rhetoric that flowed from his lips, if not a (and amateurish) attempt to influence the West German electorate? Certainly the Germans were making more important decisions for themselves than to show on its side.

On Birthrates

Regarding "The Tale of Two Birthrates" (IHT, March 3):

We are witnessing a global demographic distortion. The birthrate in the industrial countries is so low that they are likely to face a manpower shortage of manpower. In the developing countries, the birthrate has remained high, and they will have the coming into the labor market, while it is equally true that all people have a craving for security and that benefits and taxes increasing the burden to invest in labor-saving technology. The weakening of the current industrial service systems will be but a temporary solution.

What has to be faced is that the Third Industrial Revolution will no longer need the number of persons to all ages on the labor market. Capital transfers shall in the long run have to take care of a majority who will become superfluous because they do not produce the robots, or service them, or simply push the button. If there are few jobs today, there will be fewer tomorrow.

ELLEN B. HILL, Rome

Fewer Jobs Tomorrow

Regarding "Europe's Unemployment" (IHT, March 9):

While it is true that the European countries are so low that they are likely to face a manpower shortage of manpower. In the developing countries, the birthrate has remained high, and they will have the coming into the labor market, while it is equally true that all people have a craving for security and that benefits and taxes increasing the burden to invest in labor-saving technology. The weakening of the current industrial service systems will be but a temporary solution.

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MAHMOUD EL-AHLI, Geneva

FROM OUR MARCH 15 PAGES, 75 AND 50 YEARS AGO

1908: A 'Gentleman Burglar'

PARIS — Since the days when E.F. Willard created the character of the Spider in the "Silver King," the gentleman burglar has come to be recognized as an adjunct of modern society. That he moves with the times is shown by a series of daring thefts committed by a mobster named Roussel, who spotted likely victims, calling on them to ascertain where their safe was. Finally, detectives got onto the track of the speeding automobile, which was always followed by a burglar, and Roussel was arrested at Marseilles, just as he was preparing to leave for South America with a young singer. There, he explained, he had hoped to live "peacefully and forgotten."

1933: The Monaco Succession

MONACO — The dynastic question that has agitated this little principality since the adoption by Prince Louis of his natural daughter Charlotte, has entered on a new phase with the advance of the claims of the pretender to the throne, Comte Armand de Chabrillan. The question of succession reached an acute stage with the renunciation of Princess Charlotte, following her divorce from Prince Pierre de Polignac. She has announced her intention of remarrying and going to live as a private citizen in Italy. As a result, Prince Louis has been thinking of appointing a regency council to rule, in case of his death, during the minority of Prince Rainier, Charlotte's 10-year-old son.

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Letters Show Truman as Tough, Naive As Farmer and President, He Wrote to Bess of Mark Twain and Stalin

By Edwin McDowell
New York Times Service

NEW YORK — Almost 1,300 letters from Harry S. Truman to his wife Bess, spanning a half-century, from the time he was a struggling 26-year-old farmer until six years after he left the presidency in 1953, have been made public.

Some of the letters, held by the Harry S. Truman Library in Independence, Missouri, include frank descriptions of such world leaders as Stalin and shed new light on political and diplomatic history.

Others, from a young farmer and soldier to the small-town girl he would marry, portray something of life and love in an earlier generation.

Several contain what would be "politically incorrect" these days to secrets of state, according to Robert H. Ferrell, a Truman scholar who has been examining and collating the letters.

The most important discovery in the letters examined so far, Mr. Ferrell said, is proof that Truman wanted the Soviet Union to enter the war against Japan. In a letter dated July 18, 1945, written from Berlin at the time of the Potsdam Conference with the Stalin and Churchill, Truman assured his wife, "I've gotten what I came for."

Stalin goes to war August 15th with no strings on it. I'll say that we'll end the war a year sooner now, and think of the kids who won't be killed! That is the important thing."

In another letter, written in 1947

at the dawn of the Cold War, the president said he was afraid that Italy might go Communist in the elections and he feared the Russians might attack Western Europe.

"This may be the frankest and most important presidential correspondence of this century," Mr. Ferrell said. "It is also a wonderful 19th century love story talking to the 20th century."

Truman's letters from the Potsdam Conference, held near Berlin from July 17 to Aug. 2, 1945, indicate that his initial impression of Stalin was favorable. On July 29, in a letter saying that Stalin was coming to see him that morning, the president added: "I like Stalin. He is straightforward, knows what he wants and will compromise when he can't get it."

The Potsdam meeting, the last of the Big Three summit conferences, was the first attended by Truman and marked his diplomatic baptism by fire with his Soviet and British counterparts. It was called to clarify and implement agreements made at Yalta in February 1945, before the death of President Franklin D. Roosevelt.

On several occasions, the president refers to Stalin as "Uncle Joe," an appellation that Truman's political opponents would eventually use against him as the Potsdam agreements were consistently breached during the gathering's protracted chill.

But the letters to his wife during that conference indicate that, while

the 33rd president liked Stalin personally, he applied to the Soviet leader and to Churchill the same "give 'em hell" techniques that captivated his political friends at home and repelled his political enemies.

"We had a tough meeting today, I reared up on my hind legs and told 'em where to get off and they got off," he wrote to his wife on July 29. Five days later he told her, "We have been going at it hammer and tongs in the last few days," adding that Stalin "seems to like it when I hit him with a hammer."

"Truman always said that his main purpose at Potsdam was to get Russia into the war," said Mr. Ferrell, a professor of history at Indiana University and author of several books about Truman, who died in 1972. "But a lot of historians say he was there to keep Russia out, because it looked like the U.S. could end the war itself. The day before the conference opened on July 17, the U.S. tested a plutonium bomb. So unless he lied to Bess, he really wanted the Russians in."

Most of the letters were found squirreled in a dozen or more locations in the Truman house in Independence, but they have been in the Truman Library for many months, according to Ben Zobrist, the library director. Last fall, after her mother's death at age 97, Margaret Truman Daniel, the owner and donor, signed the agreement giving the letters to the people of the United States. Mrs. Daniel said Sunday that she also gave the li-

brary "a few letters that I had in a desk."

"He had a rule of writing Bess every day when they were apart," Mr. Ferrell said. They were apart whenever Truman had to be away on official business, or, he said, whenever Mrs. Truman returned from Washington to her beloved Independence to care for her aged mother, who died in 1952, or merely to escape the goldfish bowl of life in the capital.

The letters reveal much about courtship in the early years of this century, a courtship whose progression is clearly marked by the increasingly familiar manner in which the future president addressed the young woman who was to become his wife. His letters begin "Dear Bessie" and are signed "Harry S. Truman." Soon they begin "My Dear Bessie" and are signed "Harry S." Finally they begin "Dear Bess" and are signed "Harry."

In addition to shedding light on diplomatic and political history, the Truman letters are certain to throw additional light on the Truman personality and on the mores of the time. To the future president, farm life meant hard work and an existence that "as an everyday affair is not generally exciting." Yet he managed to retain a sense of humor even while recuperating from a broken leg, caused when a 400-pound (180-kilogram) calf brushed against him when he was setting fence posts. "I have the



Harry and Bess Truman in Washington in 1952

sincere satisfaction of knowing that he will some day grace a platter — perhaps my very own," he wrote to his intended.

The Truman letters reveal a blend of naivete and obstinacy, tenderness and toughness, plus a touch of the pedant. A voracious reader in his early years — he once boasted of having read many of the 2,600 books in the public library — he told Bess that he regarded Mark Twain as "my patron saint in literature," and said "I would rather read Mark Twain or John Kennedy than any other man in Christendom."

Another time he opined that if

someone would invent a fork with a spring — "so you could press it and spear a biscuit at arm's length without having to reach over and incommode your neighbor — well, he'd just simply be elected president, that's all." The early letters give no hint that Truman, busy tilling soil, sowing crops and feeding livestock, ever imagined that he would be elected president or that he would do anything but what he was doing. "I never expect to be rich," he wrote in 1911. "but if I can't make what I get myself with-out waiting for someone to leave it to me I hope somebody will knock me on the head and put me out of danger."

Europeans Looking For U.S. Flexibility In Arms Negotiations

By William Drozdzick
Washington Post Service

BONN — Behind the flurry of calls by European leaders last week for the United States to show new flexibility in arms control talks with the Soviet Union lies a simple desire to see President Ronald Reagan erase the word "explore" from the negotiator Paul H. Nitze's instructions and allow him to initiate proposals of his own.

A strong belief has emerged in European capitals since Chancellor Helmut Kohl's election victory

negotiate the final stage, which is zero."

In Bonn, a top government official explained that "if we want to get an agreement by October or November before the missiles arrive, we need to move right now. There are so many complicating factors, like verification matters, which require months to sort out, that we need a new U.S. position very fast."

Part of the problem is feuding between the State Department and the Pentagon, but the crucial hindrance toward progress in the arms talks, they stressed unanimously, remained Mr. Nitze's rigid negotiating instructions that restrict him from advancing his own ideas and permit him only to "explore" Soviet proposals.

Officials in Bonn and other European capitals felt that Mr. Nitze's outline of a tentative pact, reached during his "walk in the woods" outside Geneva with his Soviet counterpart, Yuri A. Kvitsinsky, showed great promise before it was rejected in Moscow and Washington.

In the absence of a substantive shift by Washington, the West German government is formulating its own ideas about a possible compromise, including a detailed range of missiles considered equal for both sides, that might be reached through a series of interim stages.

Government experts said there was a strong conviction that the Russians would prove amenable to "working in stages or taking small steps" despite Moscow's rejection of the concept of partial arms control pacts.

West German officials say they believe that the deployment timetable and the Soviet dread of the Pershing missiles will serve as the two essential forces pushing Moscow toward compromise, provided that the United States meets the Russians halfway by offering a new proposal.

For that reason, they foresee the need to pursue deployment plans for the 108 Pershings scheduled to be implanted in West Germany. Regardless of the nature of the missiles, deployment in West Germany this year is considered a political necessity to ensure that stationing plans are fulfilled in the four other West European countries scheduled to receive cruise missiles.

Nimeiri Visits S. Korea

United Press International

SEOUL — President Gaafar Nimeiri of Sudan arrived here Monday on a four-day state visit aimed at strengthening relations with South Korea.

Wake Shooting Raises Alabama Race Tension

By Art Harris
Washington Post Service

MONTGOMERY, Alabama — Three weeks after her husband died, Annie Bell Taylor passed away, too. So relatives who had left Alabama long ago for assembly-line jobs up North drove 15 hours from Michigan and Ohio to bury the black family's matriarch.

She was laid to rest here on a cold, drizzly Sunday afternoon two weeks ago. Afterward friends and neighbors flocked to the Taylors' frame house on a dirt road outside town to pray and reminisce.

By morning, 11 of the mourners were in jail on charges of attempted murder, kidnapping and theft. They were accused of trying to kill two white plainclothes police officers who burst into the house during the wake to question one of the Northern visitors after an incident outside. The officers were allegedly assaulted and one shot in what police describe as a savage attack by a mob; some in choir robes, acting like "wild animals."

Ten days after they were jailed, the 11 were freed on bail. A hearing has been set for March 22. One officer, Leslie Brown, remains in intensive care. His partner, E.B. Spivey, received 75 stitches after "his throat was slashed" that night, said Police Chief Charles Swindall.

The charges are hotly disputed by local black leaders. They have banded together behind the out-of-state blacks, who include a Baptist deacon and the brother of the Olympic gold medal hurdler, Willie Davis.

The incident has sparked a Justice Department investigation into charges that the blacks were beaten after being taken to jail. And it has inflamed long-simmering racial tensions in the cradle of the Confederacy.

"You can't deny creeping racial tension is coming back to our city," said Bob McKee, a white state representative from Montgomery. "But white people are afraid of demonstrations and riots. ... They see blacks getting political power out of proportion to their numbers, the Justice Department always coming in, affirmative action programs. Blacks have advantages whites don't have anymore."

Black leaders say such attitudes fuel a siege mentality in a city with a bellicose, pistol-packing mayor, Erney Folmar. Nicknamed "The Mayorallah," he frequently has accompanied the police on raids. He pays daily visits to the hospitalized officer but declines comment on the incident.

"Just call our city 'Fort Montgomery' and the mayor our commander-in-chief," said a black city councilman, Joe Reed. "What you have here are two white police who saw cars with northern tags, thought [blacks] were doing something wrong, charged in and met their maker."

Police say the incident began when investigators hunting a missing woman saw a "black male prowling around" a parked car. A scuffle ensued, police say, and the man tried to grab the officer's gun, then ran.

Police fired at the suspect, chasing him into the house, where the officers were "beaten and tortured" by "black subjects ... acting in a manner of wild animals that had their prey on the ground," said Chief Swindall. Officer Brown was shot as he fled the house.

Lawyers for the blacks give this account:

One of the visitors, 21-year-old

Christopher C. Taylor, was moving a car so an uncle could leave the wake. Two white men in street clothes were sitting in an unmarked car. One shouted, "Come here, nigger."

When Mr. Taylor approached, one man grabbed him and tried to force him into the car. He resisted and ran. The whites drew guns and fired, wounding him in the hand. He ran into the house and shouted, "Mama, daddy, some white men are shooting at me."

Seconds later, one white man kicked in the door with gun drawn. The mourners subdued him, disarmed him and then took away a second gun that he drew from a pocket. When the second white man burst in, someone hit him with a fireplace poker.

Then, the mourners telephoned the police twice, first to call for help and then to give the house's location. During one call, the whites said, "We are the police," the first time either inside or outside the house, they had identified themselves as police officers. The mourners did not believe them and continued holding the two.

Police units arrived and a lieutenant used a bullhorn to order the occupants to come out. At that point, Officer Brown bolted through the door and was shot.

Police say the weapon was a service revolver and note that one is still missing. But a black city councilman, Donald Watkins, contends that the police themselves could have shot Mr. Brown accidentally as he emerged from the house.

L. Bobet, 58, U.K. Budget Expected to Reflect Ex-Cyclist in France, Dies

Compiled by Our Staff From Dispatches

BIARRITZ, France — Louise Bobet, 58, a French cyclist who won the Tour de France race three times in a row, died Sunday night after a long illness, members of his family said.

French amateur champion in 1946, Mr. Bobet tried five times to win the Tour before succeeding in 1953, 1954 and 1955. He was world cycling champion in 1954. He retired from bicycle racing after being seriously injured in a plane crash in 1961 and later opened two hydro-therapy treatment centers.

Other deaths: Alex Fawcett, 77, the London Daily Telegraph's chief correspondent in the United States for 35 years until his retirement in 1974, Saturday in London.

Jean Hytier, 84, professor emeritus of French at Columbia University and an authority on French literature, Friday of lymphoma at his home in New York.

Nick Civella, 70, the reputed head of the Kansas City, Missouri, crime "family," Saturday of complications caused by cancer.

Hindu Pilgrims Crushed

United Press International

NEW DELHI — Hundreds of Hindu pilgrims waiting for a sacred bath stormed the gates to a spring-water pool Monday in a stampede that killed 15 persons, the Press Trust of India reported. The incident occurred in Rajgir, Bihar state.

U.K. Budget Expected to Reflect Maneuvering for Likely Election

Compiled by Our Staff From Dispatches

LONDON — A vote-catching budget on Tuesday, revised at the last minute because of oil price uncertainties, was forecast by political analysts Monday, setting the scene for a general election later this year.

Many politicians believe the annual spring budget, the fifth presented by the Conservative government, will be the last before Prime Minister Margaret Thatcher seeks re-election.

Her five-year term in office ends in May 1984. But all the major political parties are preparing for an election this year, with October thought most likely.

Earlier forecasts of major tax cuts have been revised because of falling oil prices, which reduce government revenue from Britain's North Sea wells.

Most analysts now think the budget to be announced in Parliament by Sir Geoffrey Howe, the chancellor of the exchequer, will be cautious.

So far, the drop in the oil price has been offset by a simultaneous weakening on foreign exchange markets of sterling against the dollar, in which oil prices are calculated.

The analysts predicted the extra money Sir Geoffrey will pump back into the economy will be limited to no more than £2 billion (£3 billion).

Most of the stimulus is expected to cover increases in personal tax allowances and state welfare benefits rather than aid to British industry.

Sir Geoffrey is expected to increase by about 12 percent the threshold at which earners begin paying tax. This would put an extra £1 a week into the pockets of single taxpayers, and £1.55 for the married.

The uncertainties over oil have been highlighted by the presence in London for the past two weeks of ministers representing the Organization of Petroleum Exporting Countries.

Britain is not a member of the 13-nation group but has been watching closely its efforts to fix a lower price for OPEC oil.

OPEC is expected to cut \$5 from the price of a barrel, bringing the price to \$29. If matched by Britain, it would reduce government revenue from the North Sea by about \$3 billion a year.

Despite pressure from the opposition Labor Party, the centrist alli-

ance of the Social Democratic and Liberal parties, and from the "wets" within his own party, there is no sign that Sir Geoffrey will allocate funds for public works or similar direct assaults on Britain's record unemployment toll of 3.2 million.

He is expected to plan for a 1983-84 government spending deficit of £8 billion, as set out in a fiscal statement last fall, and a 1.5 percent to 2 percent growth in national output. The target for money supply growth in 1983-84 is expected to be 7 percent to 11 percent.

Pope, Scotsman Meet

The Associated Press

VATICAN CITY — Pope John Paul II met Monday with the Very Reverend John McIntyre, moderator of the General Assembly of the Presbyterian Church of Scotland.

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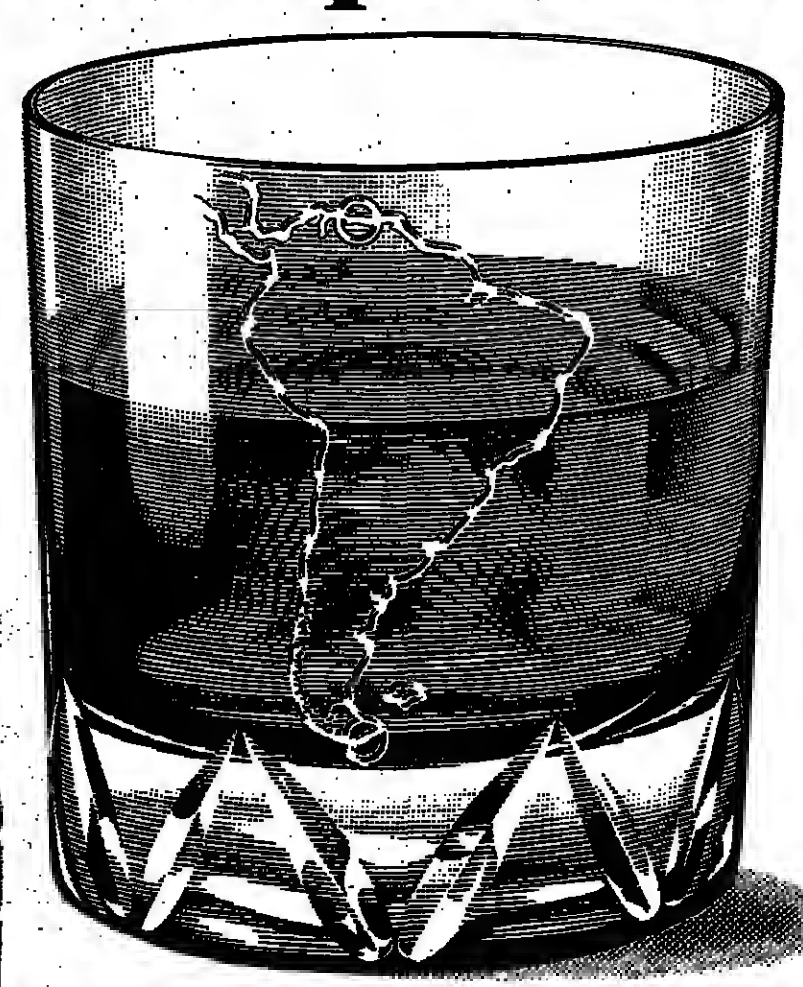
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The Economy: Debt Is Major Problem

By Mary Anne Fitzgerald

NAIROBI — Less than three weeks after junior air force officers failed in an attempt to overthrow President Daniel Arap Moi's government, letters were sent to the heads of state of Kenya's leading Western donors asking for a massive injection of additional aid.

The letters, some signed by Mr. Moi himself and others by Finance Minister Arthur Magu, stated that the government was expecting tourism revenues to decline and the overall balance of payments deficit for 1982 to be more than double the forecast figure because of the disturbances. To set the economy back on an even keel just over \$300 million was needed, they said.

Extensive looting of Nairobi stores took place on Aug. 1 while several millions of dollars might have left the country illegally. But what was worse, the uprising triggered the unveiling of an economy battered by deeply rooted economic imbalances.

"They used the coup as a justification for a lot of problems that have been going on for a long time," said one Western observer. These include tight import restrictions prompted by dangerously low foreign reserves, a steadily growing balance of payments deficit, aggravated by deteriorating terms of trade and a rising debt service ratio.

Foreign exchange levels, around \$184 million at the end of October, have been averaging less than a month's import requirements. In August they were the lowest they have been for six years, but then their buying power was greater.

The balance of payments deficit is estimated at \$364.9 million for last year thanks to static export earnings from coffee, tea, tourism and refined petroleum products and a debt service ratio now acknowledged to be higher than 20 percent.

As a result of a surge of aid-financed development projects implemented during the 70s where loans are now falling due, outstanding debt almost tripled from 1977 to 1981.

Even more telling, the ratio of total debt to gross domestic product has been rising steadily over the same period to 52 percent in 1981. This indicates Kenya will probably have to incur new debts to service old ones, placing it on the same treadmill that Jamaica experienced in the 70s and Zaire is experiencing now.

Kenya's economic problems began to emerge in 1980 after the effects of the 1977 and 1978 coffee boom had tailed off. The economy expanded rapidly in postindependence years with gross domestic product averaging an annual growth of 6 percent. When receipts for coffee and tea, Kenya's principal

export commodities, doubled in 1977 it sprinted ahead even further with a gross domestic product growth of 7.3 percent. Then terms of trade slumped as global commodity prices dampened and oil prices continued to soar. Since then expansion has been blunted. Last year oil imports cost the equivalent of 57 percent of export earnings. Today, Kenya is no longer black Africa's capitalist showpiece.

In fact, in order to weather the recession Western donors have concluded Kenya needs anything from \$315 to \$360 million in budgetary support next year. Part of this will probably be provided by the donors themselves, primarily Britain and the United States. Britain has vested interests in the country that date back to colonial days. The United States' profile in Kenya is on the up since naval facilities at Mombasa and airfield access elsewhere in the country were granted for the Reagan administration's rapid redeployment force. And the World Bank has promised a third structural adjustment loan of \$50 million.

The club of Kenya's Western aid donors met in London last November and again in Nairobi last month. Local sources said Kenya was seeking \$270 million in additional grants. The outcome of the meetings has not been made public, but third-country officials say the Kenyans appear to have been disappointed, coming away with promises totalling anything from \$92 million to \$115 million.

Other funds may be sought on the commercial market, adding to \$15 million Eurodollars negotiated in 1980 and 1981 and already drawn upon.

Kenya is relying on a good part of the balance to be provided by the IMF, which sent a team to negotiate terms at the beginning of December.

Terms were tentatively agreed and the IMF signed a confidential "letter of intent" at the end of December, under which the fund will provide 155 million SDR in standby credits. Only \$105 million of that total will be transferred in 1983, however, and \$70 million is already due back to the fund from Kenya, leaving only 35 million SDR for the year.

This time round Kenya will have little option but to agree to the fund's guidelines of devaluation, curbed government spending and a rationalization of the food crop marketing system. A standby facility of 151.5 million SDR negotiated toward the end of 1981 was put in abeyance in August for failure to comply with IMF dictates.

This was the second year running that IMF drawdowns have been suspended, damaging Kenya's reputation for responsible administration of its finances.

Herald Tribune

* TUESDAY, MARCH 15, 1983

KENYA

A SPECIAL REPORT



Lions at a game park at Amboseli. Kenya's game parks are a leading tourist attraction.

Tourism: Safaris, Big Game

NAIROBI — "There are no words that can tell the hidden spirit of the wilderness, that can reveal its mystery, its melancholy, and its charm," penned a ponderous but enchanted Theodore Roosevelt in his book, "African Game Trails." That nostalgic passage refers to one of the first commercial safaris in Kenya.

Mr. Roosevelt came to Kenya in 1909 on an expedition to collect natural history specimens for museums in the United States. Accompanied by two legendary professional hunters, Frederick Selous and Philip Percival, as well as some 600 porters, the former U.S. president spent several months in the bush satisfying scientific curiosity by bagging animals and sending their skins back home.

Roosevelt's caravan set off from the Norfolk Hotel, which today stands in downtown Nairobi and still is probably the finest lodging the city has to offer. Otherwise safaris and Kenyan tourism have changed a lot since those turn-of-the-century years when setting off on foot across the African plains meant taking your life into your hands.

Mr. Roosevelt and Edward, Prince of Wales, who went on a shooting safari about the same time, popularized the concept of paying to go hunting in Africa and told tales of shooting rhinos, elephants and lions at close range.

Farmers and ranchers were quick to see the potential and many did seasonal work taking wealthy sportsmen from the United States and Britain big game hunting. In the 1950s, the dilapidated aspect of the sport faded and hunting blossomed into a commercial enterprise, the forerunner of today's tourist industry.

By the time Kenya gained independence from the United Kingdom in 1963, tourism was a fledgling economic sector, catering mainly to the rich and the super-rich. Then, there were fewer than 6,000 hotel

beds in the country, compared to today's 25,000. But operators learned to cash in on the country's rich wildlife potential by selling tours of the game parks in Europe and in the United States. Tourist activity accelerated and bednights soared during the 1970s after the introduction of beach holidays along the turquoise shoreline of the Indian Ocean. In 1974, just under a million bednights were recorded at the coast hotels. By 1980, this number had more than doubled to over two million. Beach hotels, with their two-week package tours, which next year will cost around \$1,200 from Europe, attracted large numbers of Germans and Italians.

On the other hand, game-viewing safaris, which at around \$2,000 a round trip are an equally good bargain, have hovered around the 10-percent level of total bednights spent in Kenya for the past decade. Then in 1981, bed occupancy at the coast hotels not only stopped growing but actually declined slightly.

Simultaneously, the number of tourists in 1981 was only 352,000 — 17 percent short of the targeted figure and a slight drop on 1980 statistics.

Foreign exchange earnings looked as if they might plateau as well. The \$100 million earned by tourism in 1981 was not a significant improvement on the \$93 million the industry netted in 1980, although tourism still remains number three on the list of national foreign exchange earners after refined petroleum products and coffee.

Income growth for 1982 is expected to be under 3 percent. These statistics have given marketing managers in both the government and private sectors cause to sit back and assess what has gone wrong with an industry that in the past performed with magical reliability.

—MARY ANNE FITZGERALD

Foreign Policy Maintains Firm Alliance With West, Avoids Antagonizing East

By Roland Tyrrell

NAIROBI — When Leonid I. Brezhnev died, President Daniel Arap Moi personally ordered all Kenyan flags to be flown at half-mast. But when a U.S. aircraft carrier steamed into Mombasa and 8,000 American servicemen swarmed all over the city, there are no doubts where Kenya's true loyalties lie.

Since independence from Britain Kenya has successfully pursued a policy of firm alliance with the West, and especially the United States, without antagonizing the Eastern bloc. Staunchly anti-communist at home, in politics and the economy, Kenya is polite to the Soviet Union abroad. Kenya has also accepted offers of Chinese assistance in construction and rice cultivation.

Japheth Shamalla, permanent secretary in the Kenyan Foreign Ministry, said in an interview: "I think to a large extent one has to trace this to our position of no-alignment. We feel free to speak our mind on issues. I don't think we have been unduly influenced to take up positions that we don't believe to be the right positions."

As an example, Mr. Shamalla cited Kenya's swift condemnation of the Israeli invasion of Lebanon at a time when Washington was lobbying hard to protect its Middle East client from isolation. He acknowledged that the United States had spelled out its keenness to shield Israel. "But we don't regard this as pressure," he said. "We regard this more as consultations. Pronouncements that have been made [by us] have been made from Kenya's standpoint."

Be that as it may, the ties that bind Kenya to the West are strong. Kenya received \$103.1 million in aid from the United States this year. Of that total, \$53 million was for development assistance and food aid, \$33 million for military assistance, while \$2 million covered Peace Corps activities. The remaining \$15.1 million was an emergency infusion provided in response to an appeal to all traditional aid donors by the government to help Kenya recover from an attempted coup d'état on Aug. 1.

Relations with Britain remain close. Despite competition from the rest of the European Community and Japan, Britain is still Kenya's biggest trading partner and has provided \$400 million in aid since independence. Under an agreement established in 1964, Britain also enjoys the right to station up to 600 soldiers at a time for short periods in Kenya for joint



Daniel Arap Moi

training and military exercises with the Kenyan Army. West Germany, another big aid donor, made \$74.5 million available to Kenya this year, against \$67.5 million last year.

But as a non-American Western diplomat put it: "If the chips ever go down, it is the Americans who will be calling the shots around here." As part of the U.S. Rapid Deployment Force program, the two countries initiated an agreement in June 1980 giving the United States access to Mombasa harbor, two airports in the interior at Nairobi and Nanyuki and to airstrips further north at Eldoret.

Closer to home, Kenya finds itself surrounded by problematic neighbors, a troublesome situation that has not been eased over the past year by chairmanship of the Organization of African Unity. As OAU chairman, Kenya has had to contend with the problems of Chad, Western Sahara, Namibia and Somali-Ethiopian border clashes, quite apart from the arduous task of holding the OAU together.

Kenyan diplomats frankly acknowledge that they will be glad when they can get down to the job of sorting out relations with Tanzania, Uganda and Somalia without the OAU problems hanging over them. Foreign observers say relations with socialist Tanzania are clearly a high priority. Tanzania has kept its border with Kenya closed since 1977, pending what Dar es Salaam calls an equitable distribution of the assets of the former East African community.

Strained relations were even more recently when Tanzania refused to hand over a self-styled leader of the August 1982 attempt, who fled there from Kenya.

Mr. Shamalla said, "We talk of Tanzania, not socialist Tanzania. We are not afraid of it simply because of its socialist tendencies. What I think is worrying us is the increasing number of those who disrupt law and order here to find refuge in Tanzania."

As for Uganda, Mr. Shamalla said, "There are problems which do spill over," referring to the influx of Ugandan refugees and the activities of anti-government Ugandan guerrilla organizations, which frequently operate out of Kenyan territory. "We would be happy with peace and tranquility in a neighboring country. As long as it remains as it is, we are very unhappy about it."

To the east, Somalia, with its territorial claims on Kenya's northeastern province, remains a bugbear. The two countries signed a cooperation agreement in August last year in what looked like the start of a new era of good neighborliness. But the Kenyans are unconvinced.

"We have noted feelers that the Somali authorities may be willing to move toward normalization of relations," Mr. Shamalla said. "That kind of feeler is no doubt most welcome, but we still regret that this has not been followed by more concrete steps to convince us that they are serious."

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Mystery Still Surrounds Attempted Coup

NAIROBI — When President Daniel Arap Moi summoned the people to an impromptu rally in Nairobi's Uhuru Park last fall, more than seven weeks of tension had passed since rebel air force units staged an abortive coup d'état.

The *wananchi*, the people, given an unexpected afternoon off work, went in thousands, expecting announcement of dramatic measures. But nothing happened. Flanked by Vice President Mwai Kibaki and the army chief of staff, General Jackson Mulinge, Mr. Moi simply exhorted the people to work hard, be honest citizens and report troublemakers.

An official familiar with the president's daily routine said: "It's just not his style to lash out with dramatic gestures simply for the sake of it. He will let events take their course and wait until everything is clear before making his move."

While events since the coup attempt seem to be taking their time, those leading up to the 12-hour rebellion moved swiftly. The air force revolt followed Kenya's legal conversion to a one-party state by just under two months. It also came after a wide-ranging government crackdown on dissent and a wave of detentions without trial, which Mr. Moi warned would be "just the tip of the iceberg."

Long held up as a model for black Africa of economic prosper-

ity and democratic stability, Kenya had in fact been showing cracks in its makeup for some time with serious shortfalls in agricultural production, a chronic foreign exchange shortage and widespread corruption.

The first real sign that events were gathering speed came in May, when London press reports began circulating in Kenya that the rebel former vice president, Jaramogi Oginga Odinga, the acknowledged leader of Kenya's second biggest tribe, the Luo, was planning to set up a socialist opposition party.

Moving swiftly, Mr. Moi had Mr. Odinga and a leftist associate, George Anyona, a former member of Parliament, expelled from the ruling Kenya African National Union, KANU. On June 9, Parliament passed a bill making KANU the only legal party.

Mr. Anyona was later arrested, along with a former deputy director of national intelligence, Stephen Muriithi, and a prominent Nairobi lawyer representing the pair, John Khamrwa. Arrests of six university and college lecturers quickly followed.

Identifying the university as a seat of ideological opposition, Mr. Moi announced in June that he had uncovered a plot involving an unspecified neighboring country that entailed arming Kenya's students for insurrection.

Despite all the signs, the short-lived putsch appeared to catch the

government, the army and most Kenyans if not by surprise, at least off balance. The big question on everyone's lips on Aug. 2 was: Who was behind the attempted coup? That remains the big question.

In the Tanzanian capital, Dar es Salaam, Senior Sergeant Pancras Okeyo Omondi told an extradition hearing that he was a member of the People's Redemption Council briefly proclaimed by the rebels. He said his fellow fugitive, Senior Private Hezekiah Ochuca, was the chairman. The two were not extradited.

In Kenya, meanwhile, there has been widespread speculation that the attempted coup, perhaps triggered prematurely and without sufficient preparation, involved senior personalities in the country's military, political and business communities, and not just disgruntled elements in the air force ranks. In testimony at continuing courts martial, a former cabinet minister, Masinde Muliro, a veteran of Kenya's fight for independence, Bida Kaggia, and the detained Mr. Anyona have all been named as being destined for top government posts, had the coup attempt succeeded.

Other witnesses have alleged that certain members of the present cabinet, unnamed for reasons of national security, were plotting against Mr. Moi long before the attempted coup. Others have testified that the conspiracy was wide-

spread throughout the air force and that the conspirators had the financial backing of certain unnamed civilians.

Although Mr. Moi at first said the coup attempt was a "serious act of hoodlumism" staged by junior air force ranks, on Aug. 24 he declared that Kenya's troublemakers were the "big men."

Among other actions, he has ordered a full-scale purge of the police force and fired his police chief, Ben Gethi.

The former air force commander, Major General P.M. Karinki, has been sentenced to four years in prison on charges of failing to prevent and suppress a mutiny and a total of 11 Air Force members been sentenced to death as of March 10 for treason. About 900 others have so far received lesser sentences ranging from dismissal from the service to 25 years in prison.

Also fired was the former information minister, Peter Oloo-Arango, a Luo tribesman thought to be too closely associated with Mr. Odinga.

At the same time, Mr. Moi disbanded the 200-man air force and announced the formation of a new force. In addition, he has seen fighting companies, he announced on Oct. 5 the establishment of a committee to work out a national "code of conduct" for civil servants and others in authority.

—ROLAND TYRRELL

Press Remains Lively Despite Restraints

NAIROBI — The Kenyan press has lost much of its bite but still remains one of the liveliest on the continent.

Against a rising tide of government criticism, outright attacks on the press, the occasional detention and even jailing of journalists, the news business was healthy enough last June for a third daily paper, The Nairobi Times, to be born.

The government owns the Voice of Kenya television and radio and runs the official Kenya News Agency, which feeds items of government news to the privately owned and written press.

The Nairobi Times, whose editor, publisher, editorial writer and general factotum, Hilary Ngweno, freely admits it is run on a shoestring, now claims a daily circulation of 15,000 to 20,000. Its older sister publication, the politically influential Weekly Review, runs to 25,000 to 30,000 copies a week.

The Daily Nation, owned and now tightly controlled by the Aga Khan, easily dominates the market with a circulation of about 100,000, while the Lomo-owned Standard, the oldest paper in East Africa,

comes in at 40,000 to 50,000 copies a day. The Daily Nation also has a Swahili-language companion, Taifa Leo (The Nation Today), with a daily readership of about 50,000.

The popular appeal women's monthly, Viva Magazine, claims a circulation of 17,000 and rounds off Kenya's national readership, impressive by African standards.

The coastal weekly, Coastweek, has established itself firmly over the past five years with a solid readership among tourists, as it carries news in English, German and Swahili. And, with help from UNESCO, two rural vernacular papers have been launched, one in western Kenya and one in the coast region.

But although the market is good, Kenyan journalists complain that they are operating under political constraints approaching a climate of fear, a climate that has intensified since rebel air force units staged an abortive coup on Aug. 1.

"Freedom of the press is now a very delicate matter, mainly as a result of the events of Aug. 1," said Mr. Ngweno, who, like his colleagues, has to walk a delicate

tightrope every time he gets a sensitive piece of "hot news" that the government might not like published.

"We are free in that we don't have laws constraining what we do. There are no censors sitting in our offices. But the atmosphere we operate in does not lend itself to our full use of the opportunities that the law permits," Mr. Ngweno said.

A similar feeling was voiced by another editor who declined to be identified for fear of putting his "neck on the block," as he put it. "There is no communication with or guidance from the powers that be here," he said. "The result is that an editor agonizes over politically important news items, not knowing if he will get slammed for publishing. Sometimes it comes out of the blue."

That was the case in May last year, when the *Standard*, then editor at the Daily Nation, and five of his journalists were picked up at the office by police and detained for 48 hours.

Their crime was to run an otherwise innocuous story that ineptly

described an assigned statement by the ruling Kenyan party, KANU, as "anonymous."

"Do the police think that I, too, am anonymous?" thundered President Daniel Arap Moi. He threatened to close the paper down for its impudence.

Possibly one of the most disturbing features of Kenya's press scene today is a total official indifference that implies that the whole press freedom issue is irrelevant. "There may be certain constraints on the press in Kenya, but they certainly do not emanate from the government as a matter of policy," a government spokesman said. "The government's stated policy is that of developing a free press void of manipulation although individualistic ambitions and opinions could easily find room in such a press."

A government insider said that what means to affect is that the Kenyan press is routinely manipulated by national politicians who use their personal means and influence to further their own political ends.

—ROLAND TYRRELL

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KENYA

Kenya Tea Rivals India, Sri Lanka Production

Smallholders Account for Decade of Expansion in International Markets

NAIROBI — It is generally recognized that one of Kenya's greatest success stories is its smallholder tea industry. Over the past 10 years Kenyan tea has emerged as a leader on the world market, rivaling the traditional tea-producing countries of India and Sri Lanka in price and popularity.

In 1978, Kenya overtook India, the world's largest producer, as a supplier to Britain, the world's largest buyer.

Today, tea is Kenya's number three export item, after refined petroleum products and coffee, and its fourth foreign-exchange earner after tourism. In 1981, tea earned \$135 million.

Much of the credit for this meteoric rise can be laid at the door of the Kenya Tea Development Authority, a state-owned management and service organization that supervises the buying, processing and marketing of smallholder tea. This year Authority-run factories will produce 37.1 million kilograms (81.6 million pounds) of tea. By comparison, estates owned by companies such as Brooke Bond and George Williamson will produce 55 million kilograms.

At the London auction, considered the barometer of global tea prices, Kenya tea plucked by farmers who grow it outside their backdoor fetches 10 pence more a kilogram than plantation tea. This is because the Kenya Tea Development Authority is discerning about the product it buys, insisting on the quality plucking method of nipping

off only the tender top two leaves of a bush and its bud.

As a result, Kenya's smallholder tea is nudging northern India's aristocratic Darjeeling tea for the top prices.

Kenya tea has been comparable to India's since the 1970s. One of its winning aspects is that it is of consistently good quality year round, making it sought after by buyers and blenders. "It's a tea with good body, point and flavor," said Alistair Wilson, a World Bank project officer for tea. "It stands out so that if a manufacturer is making a blend, you still taste the Kenya tea."

Point is a trade term that refers to the distinguishing characteristics of a particular variety. Kenya tea has a distinctively sharp taste and brews up quickly, two aspects favored by British tea drinkers.

Although Britain has been the traditional outlet for Kenya's tea, market tastes are shifting. Last year the United Kingdom, Ireland, the Netherlands and the United States drank nearly 10 percent less Kenya tea, while Pakistan consumed considerably more. Kenya cashes in on the political vicissitudes of Pakistan, its second largest export outlet, as Pakistan does not buy tea from neighboring India and Bangladesh.

What is particularly remarkable about Kenya's performance is that it is a relatively new arrival on the scene. The industry was pioneered at the beginning of the century by British settlers who had dreams of imitating India's rising tea fortunes, but it did not really flourish until after independence in 1963, when the Kenya Tea Development Authority was established.

The Authority encouraged African farmers to plant bushes on their tiny plots — the average size is 0.39 hectares (0.96 acres) — as a supplementary income to vegetables and dairy cattle. Today there are 54,700 hectares of shiny, green smallholder tea spread over hilly slopes in western and central Kenya. This is roughly twice the area that is planted by foreign-owned estates.

Kenyan tea bushes are youngsters by Asian standards, where many bushes are over 200 years old. Over half the tea plucked by African farmers is under 10 years old, the time at which the plants reach optimum production level. Officials estimate the bushes could increase their yields by 40 percent in 10 years' time.

But Kenya tea has more than youth on its side. It is in Kenya that the concept of clonal tea was pioneered, enabling tea to be grown from cuttings. The older bushes in India and Sri Lanka were pollinated by bees, a risky system of random parentage. By use of the clonal method, the parentage of bushes can be predetermined. It is possible to choose the type of tea that will best suit the soil in which it is planted.

These improved varieties lead, of course, to better yields. As a result Kenya tea has progressed by leaps and bounds, making Asian competitors distinctly nervous. Many buyers consider it to be the best tea in the world.

The Kenya Tea Development Authority judges success by a different standard, however. "We measure it in our ability to pay as much money as possible to the grower," said a Tea Authority official. If that is the case, satisfaction must abound. A total of 143,000 African farmers were paid 418,743 million shillings in the last financial year for their crop, a 15 percent increase over payments for the previous year. In a country where the average per capita income is \$430, that is good money.

Tea is an ideal smallholder crop. It is relatively disease-free and easy to grow. Once bushes have matured some three years after planting they provide a steady income for growers, who are attracted by the constant payments. Ideally tea is plucked weekly and delivered immediately to factories managed and partly owned by the Kenya Tea Development Authority. Growers are paid on the spot. A second payment in October is calculated on the factory profit account.

According to the volume of leaf each person has contributed. Some farmers receive as much as 50,000 shillings for their second payment.

Tea, therefore, has opened up an improved lifestyle for thousands of people who once only scratched a subsistence living from the soil. Farmers who used to trudge on foot can afford to buy pickups and give their children the secondary and university education they were denied. Because the benefits are obvious and widespread, filtering down to the man in the field, the smallholder tea industry has sunk deep roots in the Kenyan countryside.

The farmers demonstrate a responsibility toward tea that is often lacking in the case of other crops. They learn new methods of bush-banding from tea authority extension workers and keep a watchful eye on yields and cash flow.

The World Bank, too, is an enthusiast of the smallholder tea program. It is a major donor towards smallholder expansion, contributing a sizable portion of the \$36 million of aid money that has been injected into the industry over the years. Other lenders are Britain, West Germany and the Organization of Petroleum Exporting Countries.

Kenyans have been told by World Bank officials that the export of commodities and manufactured goods based on local raw materials is the key to economic survival. Tea has proved to be a shining exponent of this theory. "This is one of the greatest success stories in the world," Mr. Wilson said.

—MARY ANNE FITZGERALD



Tea is harvested in the highlands of western Kenya. Tea production is a recent agricultural success story in Kenya.

Agriculture Costs Race Ahead of Income

By Charles Harrison

NYERI, Kenya — John Kamau, 28, looks at his eight-acre farm near Nyeri, central Kenya, and talks with pride of a 20 percent boost in earnings last year from maize, milk and tea. By local standards, his cash earnings of around \$200 a month are good, and the farm also provides most of the food needs for Mr. Kamau, his wife and their three children.

But like farmers everywhere, Mr. Kamau has his problems. This is a good area for rainfall, and he is more fortunate than many other Kenyan farmers who experience frequent droughts on land far less fertile than Mr. Kamau's. He complains nevertheless of uncertainty about the marketing of his maize crop, because the state-controlled National Cereals and Produce Board lacks the cash and the storage space to buy this year's bumper crop.

Farm output in Kenya rose by 6.2 percent in 1981, thanks to better rainfall and increased effort by farmers responding to higher prices

for food crops and livestock products.

Agriculture contributed around \$1.8 billion to Kenya's gross domestic product in 1981, 15.9 percent above 1980. This was the first significant increase in agricultural output, in cash terms, for five years, and higher producer prices in 1982 have boosted the figure even higher.

Farmers like Mr. Kamau, however, say they have to carry the increasing cost of farm spending, from fertilizer to farm implements and fuel for farm machinery, all of which have risen sharply, particularly since the 20 percent devaluation of the Kenyan shilling in 1981 and another 15 percent devaluation last December.

The overall cost of farm spending is estimated to have risen by 15.1 percent in the last year, while overall prices for farm output rose by only 6.5 percent, according to official figures.

Clearly, Mr. Kamau is one of the lucky ones. His acre of tea has only recently come into full bearing,

and is bringing him a steady income after five years of losses. But more efficient and reliable marketing arrangements are needed to bring the bulk of Kenya's small farmers fully into the modern economic system. Too many of them use their land primarily to feed their own families, and they will only be encouraged to develop its economic potential when they see the cash value of producing regular surplus crops for sale.

A longtime Kenyan farmer said: "Farmers are easily discouraged if they are paid uneconomic prices for their crops, or if the marketing system gets snarled up. But small-scale farming is always a risky business. The government won't increase food prices enough to give the farmer an attractive return, because it fears the effects of a rise in living costs. So the small farmer doesn't get the incentive he needs to play a bigger part in the country's cash economy."

Agricultural credit is a perennial source of complaint from Kenyan farmers. Official figures show that

farm credits of all kinds fell from \$68 million in 1977-1978 to \$40 million in 1980-1981. In terms of Kenya shillings, the decline was substantially less, because of the 1981 devaluation, but it still represented a 20 percent decrease.

The accessibility of credit varies. Farmers who are fortunate enough to be accepted for the Kenya Tea Development Authority's smallholder tea project, backed by finance from the World Bank and the Commonwealth Development Corporation, do well in return for accepting strict supervision of their farms and their bank balances. But loan conditions for all farmers these days are extremely tight, as too much cash has failed to come back from past loans.

The agricultural "mix" in Kenya is impressive, but coffee, tea, pyrethrum and sisal are exclusively geared to the export market and so are dependent on world prices. Cotton and sugar are other potentially important export crops, but they at least have a strong local market base.

Import Restrictions, Tight Credit Hinder Expansion of Industrialization

NAIROBI — With no significant natural resources and a small domestic market, Kenya does not seem an obvious choice for industrialization.

Yet for the past 10 years manufacturing has been given emphasis and encouragement by government planners.

Industrialists are gloomy these days. Once billed by observers as Africa's leading example of how to create something out of nothing very much, Kenya's manufacturing sector is now feeling the effects of each setback encountered by the national economy.

For some time the purchasing power of foreign exchange reserves has been counted in days and weeks, not months. As a result, industries have been afflicted by stringent import restrictions on raw materials and semifinished products, tight credit, the withdrawal of a major export incentive and arbitrary guidelines for the remittance of royalties, technical and management fees and debt repayments. The flurry of petitions to government tends to be delivered on a random and

not always effective basis as, with the exception of the Kenya Association of Manufacturers, no formal lobby for industry exists.

These poor lines of communication have given rise to misunderstandings between the public and private sector. One foreign businessman said: "The credibility problem in this country is going to hurt it quite a bit. Nobody believes anybody anymore."

For its part, the government is addressing itself to the dilemma of how to boost manufacturing without capital. Kenya has been poised to take off as a trading nation since 1980 when the World Bank suggested that exports were the key to sustained growth.

The plan was to stimulate domestic manufacturing through the withdrawal of import and other restrictions and initially to protect producers through higher tariffs on competing imported goods. The measures were devised to make Kenyan goods competitive on the world market. However, the program has been derailed by a combination of global recession and

fluctuations in domestic policy that have undermined manufacturers' confidence.

A government planner commented: "We are going ahead with the rationalization of tariff structures and opening up quantitative import license restrictions. But the problem is, we need a substantial increase of foreign exchange before we can implement this properly."

As far as investors are concerned, that is not the only problem. They were particularly miffed when the export compensation program, the only major incentive for exporters, was summarily abolished in last June's national budget. The withdrawal was made retroactive, leaving about \$30 million in outstanding rebates unpaid.

Then on Sept. 21, seven weeks after the unsuccessful coup attempt, President Daniel Arap Moi delivered his first major economic policy speech, which presented a package of corrective measures. The export compensation program was reintroduced, modified from a 20 percent to a 10 percent rebate. However,

exporters who increase their performance over the previous year and manufacturers who enter the export market for the first time qualify for a 25 percent rebate.

Mr. Moi also alluded to amended legislation on the repatriation of profits and capital for foreign investors. He did not elaborate further but privately government officials have indicated that they are considering introducing tax holidays for new investors.

This policy statement seemed to pass the onus of revitalizing the slumping manufacturing sector back to industrialists. However, many companies still face difficulties, particularly with import requirements. Some manufacturers who last were granted licenses to import raw materials a year ago are now getting back their exchange control applications stamped with a request to reapply in April 1983. Other manufacturers are receiving import requirements on an ad hoc basis but never in sufficient quantity.

—MARY ANNE FITZGERALD

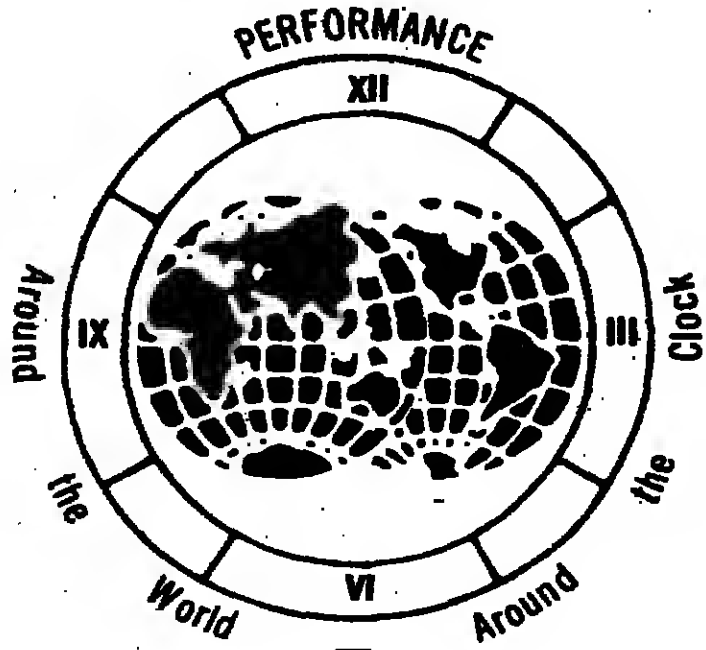
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COMMODITIES

By H.J. MAIDENBERG

Chicago Board's New Options
Based on 100 'Market Movers'

NEW YORK — The stock-index market has entered a new phase with the Chicago Board Options Exchange's introduction of the first options that are not based on any of the existing popular share averages. In addition, they are not predicated on any underlying futures contracts.

Rather, the new "CBOE 100" options are based on 100 blue-chip shares traded on the nation's largest stock options market, and they will be settled in cash when the options expire. But the options are traded the same way as those on stock indices, gold, oil, Treasury bonds and sugar.

Options are the right, but not the obligation, to buy (call) or sell (put) goods, in this case stocks, at a specified price within a fixed period. The prices of these calls and puts are determined in the open market and depend on the value of the underlying stocks, the remaining life of the option and the prospects for the basket of shares to rise or fall, among other factors.

Basically, index options are a means of hedging or speculating on whether the stock market is going to rise or fall, rather than on the fortunes of any particular stock. By comparison, those who want to insure against the adverse price moves of a particular stock may buy stock options.

If Friday's first-day volume in the CBOE 100 was any indication, many stock traders want to invest in the general trend of the market and think the option is the proper vehicle. The volume was 4,575, which was more than the combined opening-day turnover of the Value Line options (2), Standard & Poor's 500 options (1,805) and the New York Stock Exchange composite average options (1,929).

"The volume would have been greater if several major brokerage houses had been ready," a Chicago Board Options official said after the close. "They told us they hadn't had time to prepare disclosure statements that by law they must give their customers before allowing them to trade."

As it was, the opening-day volume found more bulls than bears. Of the total, 2,624 were calls and 1,951 were puts.

Three Basic Advantages

John M. Blin, partner in Stratkin Investing of Chicago and a specialist in futures and options trading strategies, said the CBOE 100 had three basic advantages over the other index options:

"For one, the CBOE 100 options are not anchored to index futures because they will be settled in cash. Many hedgers and speculators do not want to get involved with futures."

"Secondly, there are five times as many brokerage house securities account executives than there are commodity futures and options brokers, roughly 100,000 to 20,000. This means there will be 100,000 registered representatives of brokerage houses who will be able for the first time to handle index options, mostly CBOE 100 options."

This, Mr. Blin explained, is because the CBOE 100 was authorized by the Securities and Exchange Commission, not the Commodity Futures Trading Commission. The Value Line, S&P 500 and Big Board composite index options were approved by the CFTC.

The third advantage he cited was cost. The CBOE 100 will be much less expensive to trade because it is, for example, a fifth the size of the S&P 500 option and serves the same purpose for hedgers and speculators. The Value Line index option which is based on 1,700 issues, most of them Big Board issues, with the rest picked from the American Stock Exchange and over-the-counter market. The Big Board's composite index consists of about 1,500 stocks.

"Still," Mr. Blin said, "the CBOE 100 tracks the market as well as the other index options because, despite its small size, the CBOE 100 consists of almost all the market movers."

Index-Moving Force

Stocks in the new options include IBM, AT&T and Exxon, which alone account for 15 percent of the value of the 30-stock Dow Jones industrial average. The three stocks provide a lesser, but still potent, index-moving force in the broader index options.

Anticipating that "home-made" index options will be successful, the American Stock Exchange was to file Monday a 20-stock "Major Market Index" with the SEC.

Nathan Most, the exchange vice president in charge of new products, said his proposed index options would contain the bluest of the blue chips of any index and would be even more economical to trade than the CBOE 100 because it would be one-fifth the size and track the overall stock market closely. If approved, the Amex will start trading its index option April 22.

The New York Times

CURRENCY RATES

Interbank exchange rates for March 14, excluding bank service charges.

	U.S.	DM	Yen	Swiss	French	Italian	Spanish	Portuguese	Belgian	Dutch	Australian	New Zealand	South African	Japanese Yen
London	1.00	1.66	163.27	2.05	6.55	1.36	166.37	20.48	36.36	2.36	1.48	1.29	1.50	163.27
New York	1.00	1.66	163.27	2.05	6.55	1.36	166.37	20.48	36.36	2.36	1.48	1.29	1.50	163.27
Paris	0.60	1.00	100.00	1.36	1.00	1.36	166.37	20.48	36.36	2.36	1.48	1.29	1.50	163.27
Zurich	0.48	0.79	79.26	1.00	1.36	1.36	166.37	20.48	36.36	2.36	1.48	1.29	1.50	163.27
1 ECU	0.78	1.00	100.00	1.36	1.00	1.36	166.37	20.48	36.36	2.36	1.48	1.29	1.50	163.27
1 DM	0.60	1.00	100.00	1.36	1.00	1.36	166.37	20.48	36.36	2.36	1.48	1.29	1.50	163.27

INTEREST RATES

	U.S.	DM	Yen	Swiss	French	Italian	Spanish	Portuguese	Belgian	Dutch	Australian	New Zealand	South African	Japanese Yen
1M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
3M	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4
6M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
1Y	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4

	U.S.	DM	Yen	Swiss	French	Italian	Spanish	Portuguese	Belgian	Dutch	Australian	New Zealand	South African	Japanese Yen
1M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
3M	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4
6M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
1Y	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4

	U.S.	DM	Yen	Swiss	French	Italian	Spanish	Portuguese	Belgian	Dutch	Australian	New Zealand	South African	Japanese Yen
1M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
3M	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4
6M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
1Y	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4

	U.S.	DM	Yen	Swiss	French	Italian	Spanish	Portuguese	Belgian	Dutch	Australian	New Zealand	South African	Japanese Yen
1M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
3M	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4
6M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
1Y	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4

	U.S.	DM	Yen	Swiss	French	Italian	Spanish	Portuguese	Belgian	Dutch	Australian	New Zealand	South African	Japanese Yen
1M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
3M	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4
6M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
1Y	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4

	U.S.	DM	Yen	Swiss	French	Italian	Spanish	Portuguese	Belgian	Dutch	Australian	New Zealand	South African	Japanese Yen
1M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
3M	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4
6M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
1Y	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4

	U.S.	DM	Yen	Swiss	French	Italian	Spanish	Portuguese	Belgian	Dutch	Australian	New Zealand	South African	Japanese Yen
1M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
3M	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4
6M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
1Y	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4

	U.S.	DM	Yen	Swiss	French	Italian	Spanish	Portuguese	Belgian	Dutch	Australian	New Zealand	South African	Japanese Yen
1M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
3M	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4
6M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
1Y	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4

	U.S.	DM	Yen	Swiss	French	Italian	Spanish	Portuguese	Belgian	Dutch	Australian	New Zealand	South African	Japanese Yen
1M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
3M	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4
6M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
1Y	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4

	U.S.	DM	Yen	Swiss	French	Italian	Spanish	Portuguese	Belgian	Dutch	Australian	New Zealand	South African	Japanese Yen
1M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
3M	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4
6M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
1Y	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4

	U.S.	DM	Yen	Swiss	French	Italian	Spanish	Portuguese	Belgian	Dutch	Australian	New Zealand	South African	Japanese Yen
1M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
3M	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4
6M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
1Y	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4

	U.S.	DM	Yen	Swiss	French	Italian	Spanish	Portuguese	Belgian	Dutch	Australian	New Zealand	South African	Japanese Yen
1M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
3M	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4	9 3/4
6M	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
1Y	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4

Prices Off
For 3d Day
On NYSE

Compiled by Our Staff From Dispatches
NEW YORK — Prices on the New York Stock Exchange closed lower for the third straight session Monday, despite improvement in the world oil situation, as the market continued its correction.

An oil production and pricing agreement by OPEC members helped the market recover somewhat in late afternoon, but profit-taking removed some of the improvement.

The Dow Jones industrial average ended off 3.29 points at 1,114.45. The index had been as low as 1,092.25 early in the day.

Declines led advances about 2 to 1, an improvement from earlier levels. Volume slowed to 61.6 million shares from Friday's 67.1 million.

The Dow average recovered almost to Friday's closing level of 1,117.74 after OPEC agreed to cut its benchmark price to \$29 a barrel and set production at 17.5 million barrels a day.

"The buyers came right in where they were supposed to. It was just like a Hollywood movie," said Alfred Goldman, an analyst with A.G. Edwards in St. Louis.

But analysts said the recovery was short-lived, because many doubted that OPEC could maintain the agreement in the open market.

Analysts differed on whether last week, one of the worst performances for stocks so

Market Summary, March 14

NYSE		AMEX		AMEX Stock Index		
	Close	Prev.	Close	High	Low	Close
Volume	61,89	78,32	6,02	385.23	381.79	383.42
Adv.	545	609	647			
Vol. Up	15.67	19.39	1.59			
Decl.	1,015	759	367			
Vol. Down	14.35	35.08	1.15			
Unch.	471	411	209			
Total	1,191	1,857	819			
New highs	15	9	8			
New lows	5	5	1			

AMEX Most Active		Shares	Chg.
Imco Chem		258,800	
Wm. Roberts		262,000	
DanonePac		272,000	31
CyprusCp		12,700	10
Imco Chem		12,700	10

NASDAQ Index

	Close	Ch'ge	Apr	Apr	GovtCan 9	74,300	11
Composite	264.32	-1.84	265.32	167.92			
Industrials	316.09	-2.95	317.18	187.33			
Finance	230.14	-0.50	229.90	160.67			
Insurance	250.94	-0.54	249.92	185.18			
Utilities	271.81	-1.62	277.64	169.33			
Banks	167.10	+0.17	165.79	135.13			
Transp.	224.49	-2.92	229.17	145.34			

Monday's NYSE Closing Prices

Tables include the nationwide prices up to the closing on Wall Street.

[illegible]

12 Month										52		Ch'ge	
High	Low	Stock	Div.	Yld.	P/E	100s	High	Low	Quar.	Close	Prev.		

[illegible]

COMPANY EARNINGS

Revenue and profits, in millions, are in local currencies unless otherwise indicated.

Japan		Net Inc.....	31.08	30.81
Per Share.....		8.51		
Sanyo Electric				
Year	1982	1981		
Revenue	1,650,220	1,520,000		
Profits.....	28,770	21,426		
South Africa		Gold & Western Ind.		
Year	1982	1981		
Revenue	2,242	1,963		
Profits.....	2,431	1,824		
Anglo American Ind.		Gen'l. & Western Ind.		
Year	1982	1981		
Revenue	7,715	1,750		
Profits.....	513	448		
Sweden		Gen'l. & Western Ind.		
Year	1982	1981		
Revenue	19,570	16,190		
Profits.....	1,970	1,781		
United States		West Germany		
Year	1982	1981		
Revenue	1,590	1,750		
Profits.....	1,590	1,750		
Switzerland		Salzburger		
Year	1982	1981		
Revenue	1,590	1,750		
Profits.....	1,590	1,750		

Yen Borrowing Planned by China

Reuters

Mr. Zhao said the private placement would be made in cooperation with three main arranging companies — Nomura Securities, the Bank of Tokyo-Mitsubishi and Sanwa Securities.

Asked when the placement would be made, he said that the issue had Japanese government approval but that final details had not yet been worked out with the arranging companies. The corporation is ready to go ahead with the deal as soon as agreement is reached, possibly in the first half of this year, Mr. Zhao said.

He said the interest rate would be fixed at the time of issue and the bonds would mature after 10 or 12 years.

Mr. Zhao said that, under the 1997 Japanese government bond placements in Japan, the first made by any organization must be a private placement sold to fewer than 49 companies.

Fujian has been granted more autonomy to develop foreign trade and attract foreign investment, and began talks on a bond placement in Japan in late 1979. The first Chinese placement in Japan was made by the China International Trust and Investment Corp. of Beijing in January 1982 to raise 10 billion yen on the Japanese market. That placement, of 12-year bonds, carried an

Mr. Zhao said that the Fujian placement was an experimental issue and that the corporation was looking at other capital markets as well as Japan for possible future issues, including Singapore and Western Europe.

He said that the capital was originally sought to build sugar mills, but that money for these had been raised from overseas Chinese businessmen. If the placement goes ahead this year, the money now will probably be used to buy equipment to modernize industries in Fujian, he said.

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25%	12	Collins	5	47	362	27.5	30%	31%	12%
34%	26	Conner	7	4,024	73	50%	50%		
5%	746	Curtine	1.10	12	10	9%	9%		
5%	37%	Curry	1.20	27.18	127	45%	44%		
25%	13%	Cyclops	1.10	5.2	30	26%	26%	4%	

[illegible]

	GNC								
30	8%	GNC	91	6.25	45	56%	57%	57%	-1
20½	4%	GMC	91		17	18%	19	19	
8½	4%	GPU		13	280	7%	7	?	-1
30%	30%	GenP9	s1-23	1.9 15	249	68%	68	58½+	+½
67½	7%	GrnFr			30	6½	6%	6½+	+½
43½	20	GrsSignl	1.68	2.8 11	991	44	43½	43½-	-¼
43½			1.16						

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(Continued on Page 12)

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BUSINESS BRIEFS

Workers to Buy Weirton Works
Of National Steel for \$66 Million

NEW YORK (NYT) — An agreement has been approved in Weirton, West Virginia, to let workers buy National Steel's huge Weirton Works, transforming it into the largest employee-owned company in the United States.

A price of \$66 million was set for the mill and equipment by bargain-basement employees of the company's union, the Weirton Division and National, the fourth largest U.S. steel producer. The employees would also buy, for \$300 million, raw materials and other inventory from National at market value or less, according to Gene Keilin and Josh Gotbaum, vice presidents of Lazard Frères & Co., the New York financial consulting company that served as an adviser to the Joint Study Committee.

A vote of 7,000 workers at the plant, which employed 12,000 at peak production, must be held before the purchase is approved. Preliminary approval of the agreement was given Saturday by the Joint Study Committee and plant stewards and superintendents. Takeover by the new company is set for June 1 at the latest. The plant currently does business worth \$1 billion a year.

Fuji Bank to Buy 2 Heller Units

NEW YORK (Reuters) — Walter E. Heller International Corp. said Monday that Fuji Bank of Tokyo has agreed in principle to buy two of the company's commercial finance subsidiaries, Walter E. Heller & Co. and Walter E. Heller Overseas Corp., for \$425 million.

Heller expects to complete the sale to Fuji Bank later this year and that the proposal does not apply to its third major subsidiary, American National Bank & Trust of Chicago.

Heller International said that it has ended negotiations to sell the two subsidiaries to Security Pacific.

Sun Hung Kai Companies to Merge

HONG KONG (Reuters) — Sun Hung Kai Securities and Sun Hung Kai Bank plan to merge under a newly formed holding company, Sun Hung Kai & Co., which will acquire the entire shareholdings of both companies, the companies said in a joint statement Monday.

Fung King Hey, the chairman and principal shareholder of SHK Securities and SHK Bank, will hold 40 percent of the new company while Paribas and Merrill Lynch each will have about 20 percent, with the remaining shares divided among shareholders of SHK Bank and SHK Securities.

Under the arrangement, Mr. Fung, Paribas and Merrill Lynch will make long-term financing available to Sun King Fung, and SHK will have its 4 percent holding in Merrill Lynch. In return Paribas and Merrill Lynch will receive options to purchase shares in Sun King Fung of 5 and 10 percent respectively.

SHK Securities reported during the weekend a loss of 186.8 million Hong Kong dollar (\$28.2 million) in 1982 after a 216.87 million dollar profit in 1981. SHK Bank said its profit had dropped to 35.15 million dollars for 70.41 million dollars in 1981.

Intel to End Pay Cuts, Freezes

SANTA CLARA, California (UPI) — Intel, citing an improved outlook for the electronics industry, announced Monday it would begin phasing out the wage cuts and freezes it imposed Jan. 1 to avoid layoffs.

Half the pay cut will be restored April 1 and, if profitability continues to improve, the other half will be restored July 1, the manufacturer of memory and microprocessor components for computers said. The cuts affected a majority of Intel's workers and ranged up to 10 percent.

Company Notes

Metromedia and Graphic Scanning have entered into a partnership agreement to file a single application with the Federal Communication Commission for cellular mobile telephone service in Boston.

Eastman Kodak will introduce a new office copier and a continuous forms feeder, the Ektaprint 200, starting in the third quarter of 1983 and carrying a price competitive with other machines in its class.

As Prices Fall, Moscow Scrambles for More of Oil Market

By John F. Burns
New York Times Service

MOSCOW — With the Organization of Petroleum Exporting Countries in disarray and worldwide oil prices falling, the Soviet Union, the world's largest oil producer, is scrambling as hard as any other exporter these days to protect itself.

In recent weeks, growing numbers of Soviet tankers have sailed for Rotterdam and other refining centers of the West, laden with crude from Siberia and the Caspian Sea at prices and volumes calculated to pry an increasing share of the world market away from OPEC.

According to Western data, Soviet crude exports to the West in the first two months of this year have increased to between 1.4 million and 1.5 million barrels a day from an average of 1.1 million in 1982.

The asking price for Soviet crude on the Rotterdam spot market has fallen to between \$27 and \$28 a barrel this month from \$29.25 in February and \$31.50 late last year.

While transport and quality factors complicate price comparisons, the result has been to maintain a slight competitive edge for the Russians relative to other major sellers.

Moscow's push to win a larger market share for its oil reflects its concern about earning the hard currency it needs to pay for key imports from the West. Among these are at least 30 million tons of grain this year and billions of dollars worth of steel pipe and machinery for the Siberian gas pipeline to Western Europe.

The Soviet Union also faces heavy drains from its allies, particularly Poland, Cuba and Vietnam, which all receive part of their Soviet assistance in the form of hard currency.

Moscow's vulnerability to falling oil prices can be measured from figures showing that crude oil accounted for more than 50 percent of its trade earnings from the industrialized West in 1981. Some experts believe the figure may now be as high as 60 percent.

Western diplomats and bankers

in Moscow believe that, for now, increased Soviet oil sales are offsetting the impact of falling prices, and that Soviet energy earnings from the West this year will equal or slightly exceed last year's \$20 billion, unless the price falls to \$22 a barrel or less.

Awkward as falling oil prices have been for the Kremlin, the decline has not been felt as sharply in Moscow as it has in countries that have run up huge hard currency debts in recent years on the strength of projected oil revenue.

Although Soviet imports have risen rapidly to absorb the earnings that came with the nearly tenfold increase in oil prices in the decade after 1973, the Kremlin has followed a generally prudent fiscal policy. Recent figures show that servicing hard currency loans takes a relatively low 16 percent of revenues from trade with the West.

Then, too, Moscow's gold reserves total more than \$30 billion at current market rates, or the equivalent of almost 10 months of hard currency imports.

Nonetheless, the need to push rapidly increasing amounts of oil into Western markets is causing headaches for planners here and in Eastern countries that depend on Soviet oil. With domestic oil production virtually stagnant — last year's output of 613 million tons was up barely four million tons, or less than 1 percent — any major increase in shipments to the West must come from squeezing users at home or in allied states.

Western analysts in Moscow see a possibility that, in the long term, the Kremlin may place an even tighter squeeze on Eastern Europe,

asking that a part of oil shipments be paid for in hard currency instead of rubles, or by shifting an even larger proportion of total Soviet exports into Western markets.

Even with the shift toward larger energy shipments to the West, Moscow's hard-currency sales lag significantly behind its oil exports to Eastern Europe and other soft-currency buyers. In 1981, when the country exported nearly 3.3 million barrels of oil a day, about 2.3 million went to soft-currency partners.

Most of the rest went to Finland, France, the Netherlands, Italy and West Germany.

One of the spillover effects of the oil-price decline is the risk it poses to Moscow's natural-gas pipeline to Western Europe. The availability of abundant supplies of oil at low prices now appear to be discouraging the commitments that the Kremlin was hoping for from Western European gas users.

Some diplomats say the pipeline may not be used at anything like its maximum capacity. The Kremlin's hopes of realizing up to \$10 billion a year in revenue from the project by the end of this decade could prove illusory.

VW Seeks a Niche in U.S. Market

(Continued from Page 9)

idly ingrained in the U.S. psyche.

Sales last year of the U.S.-produced Rabbit, the company's high-volume model, fell 44 percent from 1981, to 91,166 cars. Volkswagen's share of the U.S. market, including imported models, slipped to 2 percent last year, down from 3.2 percent in 1981 and a far cry from the 6.7 percent it had in 1970.

[The sharp deterioration in U.S. sales has resulted in a 1982 group loss for Volkswagenwerk, Carl H. Hahn, the chairman of the parent company, has told the Finanz und Wirtschaft newspaper of Zurich, Reuters reported Monday.]

Moreover, history appears to be repeating itself when it comes to model changes. Volkswagen's dogged determination to cling to the Beetle through the 1960s, even though it was clearly becoming obsolete, led to a financial crisis in the early 1970s. And Mr. Hahn said last fall he is determined not to restyle the Rabbit, introduced in the United States in 1975, just because Japanese and U.S. companies are continually introducing newer looking cars.

"We won't change a design until we find a better one," Mr. Hahn said. "Our philosophy is the opposite of our competitors. We have always been innovative in our engineering, which is not always apparent in a superficial look."

In an effort to stimulate sales, the company has trimmed the Rab-

bi's price and is offering rebates to clear out unsold 1982 stocks.

Volkswagen executives acknowledged that they are losing money on each Rabbit sold in the United States and Volkswagen of America, which also sells high-priced Porsches and Audis, was in the red last year.

Mr. Phillips appears ready to concede the market for lowest priced cars to the Japanese, and concentrate on finding the so-called "niche markets" for higher-priced, specialty cars, using models adapted from Volkswagen's existing lineup. One example of this tactic, Mr. Phillips said, is the Rabbit GTI, a high-performance version of the basic Rabbit that is priced at \$7,990. This gives the company a well regarded entrant in the developing performance-car market at a price considerably under the \$10,150 cost of a Scirocco, a Rabbit derivative produced by Karmann.

"We undoubtedly will produce other vehicles," Mr. Phillips said, "which we believe will have a similar effect, but in other segments of the market."

But a lot of other people have similar ideas.

"The mass markets of the past are gone," Lloyd Reuss, the head of GM's Buick division, declared recently. "There are going to be a lot more specialty markets. The key to success, he added, is to develop models that are different in detail, but which share the most

costly components: engine, drive train, basic body shell.

In discussing Volkswagen's fortunes, Mr. Phillips argued that the company was disproportionately hurt by the public's switch away from diesel engines, and statistics would seem to bear him out. While the sale of gasoline-powered Rabbits was falling 15 percent last year, to 53,461 cars, diesel Rabbits were down 62 percent, to 37,705.

"At these sales levels, it probably makes more sense to build them in Germany," observed David Healy of Drexel Burnham Lambert.

Mr. Phillips denied that the company has any such plans.

Malcolm Salter of the Harvard Business School said that Volkswagen has some powerful reasons for continuing production in West-

moreland. "Their production costs here are probably comparable or less than in Germany," he said, "and even if they do have a slight accounting loss on U.S. production, their presence here amounts to a license to bring in higher-margin products like the Quantum, Audi and Porsche. It's good politically."

Ultimately, Mr. Phillips said, Volkswagen has to convince customers that its products are sophisticated enough technically to justify their prices. This is something that other West German manufacturers, such as Mercedes Benz and BMW, have done but that clashes with Volkswagen's historic image as an economy car.

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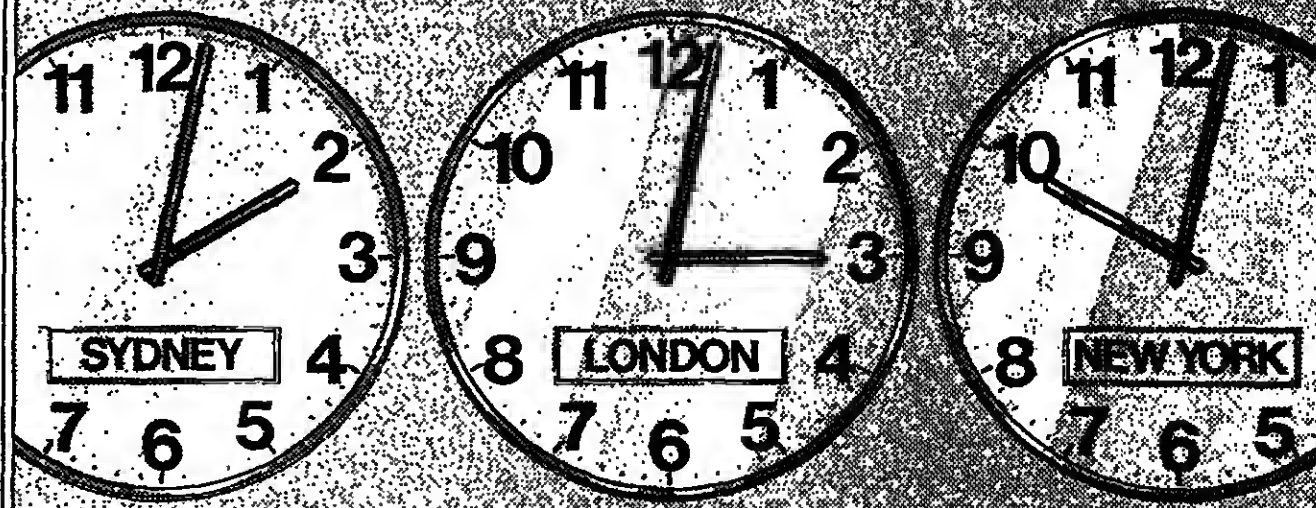
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Monday's NYSE Closing Prices

Tables include the nationwide prices up to the closing on Wall Street.

13 Month Low Stock Div. Yld. P/E 100s High Low QWOC: Close

CHYP

Close Prev

(Continued from Page 10)

13 Month Low Stock Div. Yld. P/E 100s High Low QWOC: Close

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FAISAL ISLAMIC BANK OF EGYPT

**offers you this opportunity
with its special expertise in
the Islamic channels of
investment**

Musharakah — Mudarabah — Murabahah

Capital: US\$ 40 million

Total Assets: US\$ 996514250

Total Accounts: US\$ 792592484

Profits Realised: (198 2 AD - 140 2 H) =

Shareholders (16.2% before deducting Zakat)

(15 % after deducting Zakat)

Annual Return on Investment Accounts as

average during 4 quarters is : (11.55% for Foreign Currency)

Companies Established by the Bank:

Islamic Packaging & Distribution Co

Islamic Foreign Trade Company

Islamic Poultry and Eggs Company

Islamic Pharmaceuticals Company

Faisal Islamic Bank Tower Company

Id. No. 1112 K. J. L. E. N. H. S.

Address: 1113 Kournich El Nile Str
Telephone: 363100/363

Telephone: 753109/753
Fax: 93877/93878 Cable: Eai

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How The Morgan Bank shapes successful syndications around the world



Five of Morgan's London-based syndications specialists are, from left, Robert Gray, who heads the group, Janet Mitchell, Miriam Raney, Victor Brunello, Benjamin Weston.

When a corporation, a government, or a government agency seeks a major syndicated financing, it wants innovative ideas and professional execution. When it turns to The Morgan Bank it gets these—and a lot more.

There's the Morgan banker, who specializes in wholesale banking. There's our internationally respected team of syndications specialists. And there's Morgan's major presence in international money and capital markets. Last year The Morgan Bank was alone in ranking among the top 10 lead managers worldwide in both Eurobond and syndicated loan transactions.

So we know where the money is, and we're able to commit large sums for our own account.

Access to new techniques
Delivering these unusual strengths to major borrowers is the joint responsibility of Morgan's worldwide staff of banking officers and the

international syndications group.

Continuous communication between the two means that major borrowers receive regularly updated information on a broad range of financing techniques. In addition to syndicated Eurocurrency loans, these may include floating-rate capital market transactions, loans denominated in composite currencies such as European Currency Units and Special Drawing Rights, or interest rate and currency swaps.

Banks and borrowers benefit

Our standing with other international lenders is especially important to borrowers. Putting together a major financing requires not only knowledge of the sources of funds, but access to them, and informed judgment in choosing among them. This ensures that term, maturity, and other conditions will be tailored to the purpose of the loan and to market conditions.

Participating banks also value our knowledge of the total syndications market, our skill in coordinating and executing financings, and our thoroughness in preparing loan documentation.

Morgan syndications specialists are headquartered in London, New York, and Hong Kong. Acting with speed and discretion, they help clients around the world meet a wide range of credit requirements. These include short-term capital loans to finance trade, medium-term revolving credits for corporations or for countries with development needs, and longer-term financing for projects which generate funds for repayment.

Call any Morgan office

Learn more about how The Morgan Bank's combination of expertise and financial resources can help you meet major syndication needs. Talk with the Morgan officer who calls on you, or contact us through any of our offices, worldwide. Member FDIC

The Morgan Bank

Tables include the nationwide prices up to the closing on Wall Street.

or your local IHT representative.

March 13

Prices in Canadian cents unless marked \$

March 14

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MEMBER SICP

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